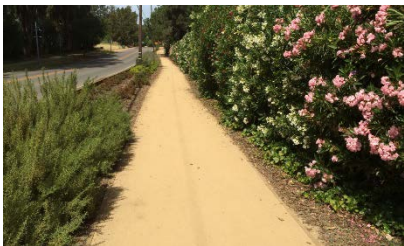
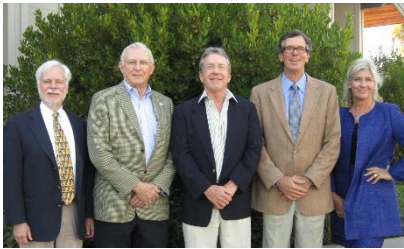


Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015



**Town of Los Altos Hills
Los Altos Hills, California**

TOWN OF LOS ALTOS HILLS, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

PREPARED BY:
DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES

TOWN OF LOS ALTOS HILLS, CALIFORNIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

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INTRODUCTORY SECTION



December 2, 2015

To the Citizens of the Town of Los Altos Hills,
Honorable Mayor and Members of the City Council

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) for the Town of Los Altos Hills, California (Town), for the year ended June 30, 2015. The CAFR was prepared in accordance with principles and standards set by the Governmental Accounting Standards Board. The report presents the Town's financial information in an entity-wide basis and at fund level, with emphasis on the Town's major funds.

As part of the required presentation, the report includes a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). It presents a comparative analysis of current and prior year results, changes in financial position, financial highlights, trends and disclosure of any known significant events or decisions that affect the financial condition of the Town. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditors in the financial section of this report.

The responsibility for the accuracy of the information and the completeness and fairness of the presentation rests on Town's management. This includes note disclosures, required supplemental information and statistical summary. We believe that the information reported is accurate in all material respect and its presentation fairly shows the financial position and the results of the Town's operations. In providing a reasonable basis for making these representations, management has established a thorough internal control system designed to protect the government's assets from loss, theft, or misuse and to compile necessary information for preparing the Town's financial statements.

In compliance with State statutes and the Town's municipal code Section 2-3.221, these financial statements have been audited by the certified public accounting firm of Vavrinek, Trine, Day & Co., LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Los Altos Hills for the year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Los Altos Hills' financial statements for the year ended June 30, 2015, are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

Profile of the Government

The Town of Los Altos Hills is a residential community located in Santa Clara County, California. It is about 18.6 miles northwest of San Jose and 38.5 miles southeast of San Francisco. Incorporated on January 27, 1956, the Town currently encompasses 9 square miles, maintains over 100 acres of pathways and open space and has influence on an additional 5.2 square miles of unincorporated land adjacent to the Town's boundaries, the "Sphere of Influence."

It operates under a Council-Manager form of government. Policy-making and legislative authority are vested in the governing City Council, which consists of five Council members. City Council members are elected in overlapping four-year terms and, from amongst themselves, select a Mayor and Mayor Pro Tem every December. The Council is responsible for passing ordinances, adopting the budget, appointing Planning Commission and Volunteer Committee members and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the Town, and for appointing the Town staff.

The Town of Los Altos Hills provides a full range of essential services through a combination of in-house staff and contract services. Services provided by the Town's 19.2 full-time equivalent employees include planning, engineering, building inspection, maintenance of public infrastructure, recreation, limited parks, open space maintenance and general management. Partnership with neighboring cities, counties and special districts are utilized to provide law enforcement services, fire services, sewer conveyance and treatment, water services and technology support. The Town also entered into public-private partnership in areas of code enforcement, trash collection, payroll services, staff augmentation and Westwind Barn management.

The cost to provide these essential services are reviewed annually as part of the Town's operating and capital budget. The annual budget serves as the foundation for the Town's financial planning, monitoring and control. All departments of the Town are required to submit requests for appropriation to the City Manager each spring. The City Manager uses these requests to develop a proposed operating and capital improvement budget and submits it to the City Council for review prior to May 30. The Council holds public hearings and a final budget is adopted on or before June 30.

Budgetary reviews and controls are applied as described in the Notes to Required Supplementary Information on page 69. Budget to actual comparisons are provided in this report for each governmental fund for which an annual budget has been adopted. For the General Fund, this comparison is presented on page 65 as part of the required supplementary information. For governmental funds other than the General Fund, this comparison is presented in the Combining Statements and Individual Fund Statements section of this report, starting on page 72. Budgets are also adopted and controlled for the proprietary funds. The Town's budget and budget adjustments must be approved by the City Council by resolution during the fiscal year.

Throughout the year, the Administrative Services Department monitors economic changes that may affect the Town's revenue stream, coordinates with departments in identifying changing needs and demands, and presents budget adjustments to the City Council as part of the mid-year review. Public inputs are filtered through the Town's standing committees and to staff liaisons. These inputs are considered in the development of the budget and presented to the City Council for consideration as part of the budget review and throughout the year as separate Council action items.

Economic Conditions and Outlook

Property tax and residential development related taxes and fees are the primary sources of revenues for the Town. Combined, they represent roughly 79 percent of total Town-wide revenues.

Local economy

As an aftermath of the 2007-2008 housing market crash, the Santa Clara County Assessor's Office temporarily reduced property assessment value as part of the California voter approved Proposition 8 valuation adjustment. As the housing market restores to pre-recession values, assessed property values are also restored to their original valuation. This meant reduced property tax for many agencies in the region during the recession and increased tax revenues during the restoration phase. The weakening of the housing market also resulted in declines in the number of residential developments and renovations.

In the last few years, the Bay Area housing market strengthened. In 2014-2015, Zillow.com reported Los Altos Hills median home prices grew by 16.4 percent to \$4.02 million. In June 2015, the Santa Clara Assessor's Office reported a countywide net assessment growth of 6.80 percent, with 6.04 percent growth for the Town. The strengthening housing market spurred an increase in residential developments and renovations as home sales increased. In 2014-2015, total number of building permits issued increased by 3 percent, with a permit valuation increase by \$3,620,609 or 7 percent. Coupled with the implementation of the 2014 user fee schedule, total residential development taxes and fees for the Town increased by 40 percent. Overall, the Town's total Unrestricted Net Position was approximately 108% of total operating expenses for the year. This suggests that the Town has sufficient unrestricted funds to meet operating expense for a little over a year.

Long-term financial planning and relevant financial policies

Notwithstanding the positive trend in the Town's general revenues, the Town continues to be reasonably cautious of its financial outlook in the next ten-years. This includes whether the Town can weather the next economic downturn, whether the Town can address unfunded liabilities in pension and other post-employment benefits (OPEB) liabilities, and whether the Town is equipped with the necessary tools to minimize future risks and challenges. Part of the budget includes reserve policies for the year, where the Town sets aside excess fund balance in the General Fund to meet some of the aforementioned risks and challenges. These include reserving for operating contingency, disaster contingency, pension liability, and technology infrastructure. The Town expects the total net pension liability could double in the coming years. CalPERS is considering reducing the Plan's discount rate from 7.5 percent to 6.5 percent, and the impact of this change is dependent on the smoothing method and duration proposed by CalPERS' staff to its Board.

The Town will also be developing a five-year capital budget in the coming fiscal year to better access infrastructure needs around Town.

Major Initiatives

Los Altos Hills residents are proud of the semi-rural environment. The Town has limited streetlights and traffic lights, no sidewalks, and over 100 miles of pathways for hikers and horses. Other Town initiatives include providing a safe community for residents and visitors and promoting community unity through events. In 2014-2015, the Town contracted with the Santa Clara County Sheriff to provide additional law enforcement services for traffic enforcement and for addressing a rise in theft in the greater Bay Area. The Town also increased its streets improvement budget to \$1,000,000 and made a number of pathway and open space improvements. In November 2014, the Town converted a small parcel of land into a community dog park and completed the O'Keefe Preservation project in March 2015.

Award and Acknowledgement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. This was the first year the Town received this prestigious award. In order to be awarded a Certificate of Achievement, the Town had to publish an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements. The GFOA award is valid for a one-year period only. We believe that our current Comprehensive Annual Financial Report continues to meet the program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate of achievement.

In addition, the Town also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2014. In order to qualify for the Distinguished Budget Presentation Award, the budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communication device.

We wish to extend our appreciation to all of the Town staff who contributed financial information to this report. Special thanks go to Tony Sandhu and Frances Reed for their continued support of the Finance Department and efforts in the preparation and production of this report.

We would also like to thank the City Council and the Finance and Investment Committee for their continued interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully submitted,

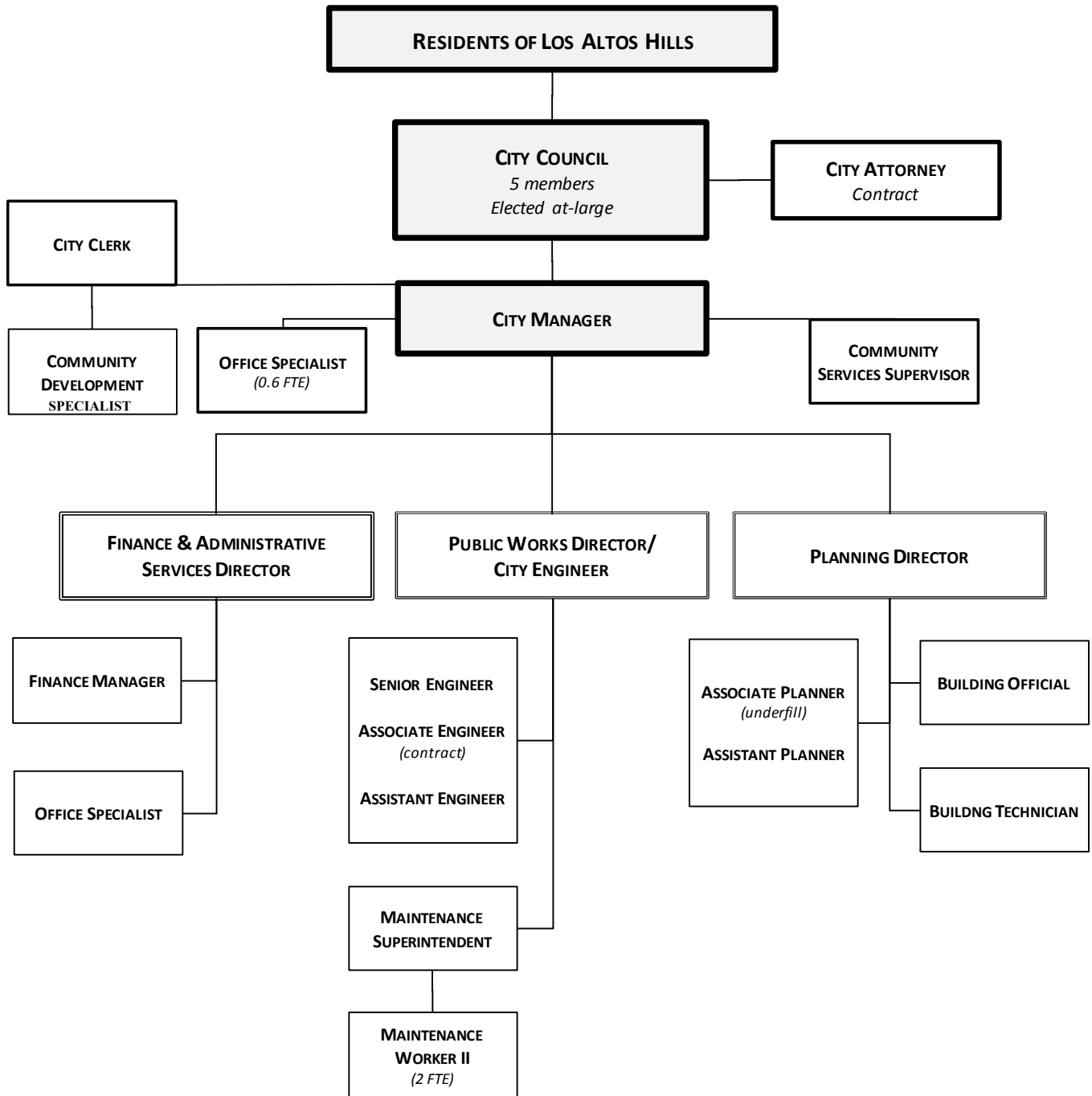


Carl Cahill
City Manager



Pak Lin
Director of Administrative Services

Town of Los Altos Hills Organizational Chart



TOWN OFFICERS
As of June 30, 2015

<u>City Council</u>	<u>Term Expires</u>
Courtenay Corrigan, Mayor	2016
John Harpootlian, Vice Mayor	2016
John Radford	2018
Gary Waldeck	2018
Rich Larsen	2016

City Council Appointed

Carl Cahill, City Manager
Steve Mattas, City Attorney (contract)

City Manager Appointed

Suzanne Avila, Community Development Director
Pak Lin, Interim Administrative Services Director
Richard Chiu, Public Works Director & City Engineer
Deborah Padovan, City Clerk



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Los Altos Hills
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the Town of Los Altos Hills, California
Los Altos Hills, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Los Altos Hills, California (Town), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Los Altos Hills, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB 68*, effective July 1, 2014. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, other postemployment benefit plan schedule of funding progress, schedule of proportionate share of net pension liability, and schedule of contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2015, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Varrinck, Trine, Day & Co., LLP.

Pleasanton, California

December 2, 2015

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

As the management of the Town of Los Altos Hills, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Los Altos Hills for the year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages xix-xxii of this report.

FINANCIAL HIGHLIGHTS

Government-wide

- The Town's government-wide assets and deferred outflows of resources exceed its liabilities and deferred inflows of resources at June 30, 2015, by \$41,897,464 (net position), a decrease of \$133,347 from the prior year. Of this amount, \$9,838,409 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors; a decrease from last year's unrestricted net position of \$361,544 or 4 percent. It is important to note that \$2,774,135 of the net position is unrestricted for Sewer Operations and not available for other Town activities.
- The Town's cash and investments at June 30, 2015 totaled \$17,002,462, of which \$13,254,308 is classified as government activities and \$3,748,154 falls into the business-type activities category (Sewer). The Town's cash and investments increased \$2,994,756, or 21 percent compared to the prior year, primarily due to higher property taxes, license and permits, and charges for services and increase in refundable deposits.
- The Town's accounts payable and other current liabilities at June 30, 2015, was \$3,760,089. Of this amount, \$965,654 was reported in the Sewer Fund. The Town's current liabilities increased \$478,168 or 15 percent is primarily due to increase in refundable deposits.
- The Town's strong net position of governmental activities at June 30, 2015, is \$34,101,295, an increase of \$2,386,738 before the impact of the new pension accounting standards, or 7 percent, compared to the prior year, as a result of continued strong growth exceeding expenses.

Governmental Funds

- The Town's General fund balance at June 30, 2015, was \$7,408,964, an increase of \$1,703,802, or 31 percent over the previous year. Contributing factors to this increase were higher property tax receipts, charges for services, license and permit fees, and refundable deposits. As of June 30, 2015, the General Fund's fund balance was approximately 156 percent of General Fund operating expenditures, which is a substantial increase from 120 percent in the prior year.
- In the fiscal year ended June 30, 2015, the Town's General Fund transferred \$2,384,589 to other funds. Total transfers were up by \$1,352,642 compared to prior year. This increase was due largely to higher spending on the maintenance of Town's infrastructure assets – a key Council priority.
- Fund balances at June 30, 2015, in the Town's Street Capital Projects and Other Capital Projects Funds, increased by a total of \$415,510, or 80 percent. This increase was attributable to funds transferred from General Fund and Storm Drain in-lieu Fund in anticipation of capital spending in Storm Drainage and Pathway Capital Project Funds, which were subsequently deferred.

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

- Fund balances at June 30, 2015, in the Town's Nonmajor Governmental Funds include the aggregate of a number of special revenue funds that provide for specific operations such as street maintenance and debt service funds. The fund balances increased \$171,176, or 11 percent from prior year as the result of higher revenues and lower spending on maintenance activities.

Proprietary Funds

- The Town's Sewer Fund unrestricted net position at June 30, 2015, was \$2,774,135, a decrease from the prior year of \$301,294 or 10 percent primarily due to higher spending on sewer system maintenance activities.

Other Highlights

- In 2014-2015, the Town made minor changes to the Cost Allocation Plan (CAP) model prepared by Willdan Financial Services. The City Council's Sewer Ad-Hoc Committee recommended to disallow the allocation of Committees and Commissions' cost. Total overhead costs allocated under CAP were \$1,156,793 in 2014-2015.
- The Other Post-Employment Benefits (OPEB) valuation report as of June 30, 2013, prepared by the Town's actuarial consultant, Bartel Associates, reflects \$1,016,000 in the OPEB plan's unfunded liability, which is a \$905,000 decrease from the June 30, 2011 actuarial valuation. This decrease was a result of changes in assumptions related to retiree demographics, lower number of beneficiaries, and the favorable effects of implementing Tier II and III retiree medical programs. The decrease is also partially due to Town's additional contributions to the California Employers' Retiree Benefit Trust (CERBT) as per City Council direction. As of June 30, 2015, the market value of the Town's CERBT account is \$1,250,000. The Adopted FY 2014-2015 budget assumed full funding of the Annual Required Contribution (ARC) of \$214,000, as determined by the actuarial study prepared by Bartel Associates, which included a pay-as-you-go payment to retirees of approximately \$97,911. This funding level is a result of annual consideration of the City Council. The June 30, 2015 OPEB valuation report is under review and is anticipated for City Council acceptance in January 2016.
- According to the October 2013 annual valuation report provided by the CalPERS Actuarial Office, CalPERS assets are insufficient to meet its actuarial liabilities, and the Town's share of the unfunded pension liability on a market value of assets basis as of June 30, 2013, is reported as \$2,282,406. However, according to the most recent annual valuation report released by CalPERS in November 2014, the Town's unfunded pension liability amount is reported as \$2,007,540, which is \$274,866 below the prior year's estimate. In fiscal year 2010-2011, the City Council, adopted a General Fund committed contingency fund balance to fund the pension's unfunded liability as a proactive measure to account for unanticipated changes in CalPERS pension assumptions. As of June 30, 2015, the designated pension contingency was \$350,000, or 14 percent of the Town's share of the unfunded liability. The Town is implementing Government Accounting Standard Board (GASB) Statement Number 68 in fiscal year ending June 30, 2015. Under this statement, the Town is required to report unfunded pension liability on its statements of net position. It will have a significant negative impact on the Town's net position, pending the final determination on unfunded liability from CalPERS.

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements, which consists of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements such as this discussion and analysis.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business.

The Statement of Net Position presents information on all of the Town of Los Altos Hills' assets, deferred outflow of resources, liabilities and deferred inflow of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash outflows in future fiscal periods, for example, earned but unused vacation leave. These government-wide financial statements begin on page 27 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Los Altos Hills, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the Town of Los Altos Hills can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year on the modified accrual basis of accounting. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

The Town maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Street Capital Projects Fund and Other Capital Projects Funds (which includes capital project funds for General Facilities and Equipment, Pathways, Westwind Barn, and Storm Drainage), which are considered to be major funds. Data from the other eight governmental funds (which includes Storm Drain, Pathway, Parks & Recreation In-Lieu, Street, COPS, Special Donations and two Debt Service Funds) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the "Combining Statements and Individual Fund Statements" section of this report.

The Town of Los Altos Hills adopts an annual appropriated budget for all Funds. A budgetary comparison statement of General Fund has been provided in the Required Supplementary Information to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 29-32 of this report. The budgetary comparison schedule for the General Fund can be found on page 65.

Proprietary Funds

The Town of Los Altos Hills maintains two different types of proprietary funds – enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for the sewer operation. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for the central services, corporation yard services, and the repair and replacement of equipment and vehicles. Because these services predominantly benefit governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the internal service fund and sewer operations. The basic proprietary fund financial statements can be found on pages 33-35 of this report.

Fiduciary Funds

The Town is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for specified purposes. The fiduciary activities reported on page 36 are for the West Loyola Special Assessment bond issue funds. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-63 of this report.

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide other post-employment benefits to its employees and the General Fund budgetary comparison schedule. Required supplementary information can be found on pages 65-69 of this report.

Combining statements for Nonmajor Governmental Funds are presented after the required supplementary information on pages 72-73. Budgetary schedules for Nonmajor Governmental Funds, Street Capital Projects, Other Capital Projects and Proprietary funds are presented on pages 74-83, and the Statistical Section follows on page 85.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of a government's financial position. To evaluate the Town's total net position, it is important to note that net pension liability and related deferred inflow/outflows totaling \$2,561,672 are incorporated in the 2015 values but not in the 2014. Despite this increase, the Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$41,897,464 at June 30, 2015, a reduction of \$133,347 from June 30, 2014.

Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current and other assets	\$ 14,049,999	\$ 10,815,407	\$ 3,850,630	\$ 4,269,889	\$ 17,900,629	\$ 15,085,296
Capital assets	25,451,569	25,632,965	5,022,034	4,774,920	30,473,603	30,407,885
Total assets	39,501,568	36,448,372	8,872,664	9,044,809	48,374,232	45,493,181
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflow of resources related to pensions	215,675	-	9,475	-	225,150	-
LIABILITIES						
Current	2,794,435	2,090,410	965,654	1,191,511	3,760,089	3,281,921
Non-current liabilities	151,975	177,500	3,032	2,949	155,007	180,449
Net pension liability	1,923,052	-	84,488	-	2,007,540	-
Total liabilities	4,869,462	2,267,910	1,053,174	1,194,460	5,922,636	3,462,370
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources related to pensions	746,486	-	32,796	-	779,282	-
NET POSITION						
Net investment in capital assets	25,370,209	25,535,393	5,022,034	4,774,920	30,392,243	30,310,313
Restricted	1,666,812	1,520,545	-	-	1,666,812	1,520,545
Unrestricted	7,064,274	7,124,524	2,774,135	3,075,429	9,838,409	10,199,953
Total net position	\$ 34,101,295	\$ 34,180,462	\$ 7,796,169	\$ 7,850,349	\$ 41,897,464	\$ 42,030,811

Note: Total assets plus deferred outflows – liabilities plus deferred inflows = total net position

The largest portion of the Town's net position, 73 percent, reflects its net investment in capital assets – land, buildings, machinery, equipment and infrastructure. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Total net position for Governmental Activities was \$34,101,295, a decrease of \$79,167.

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

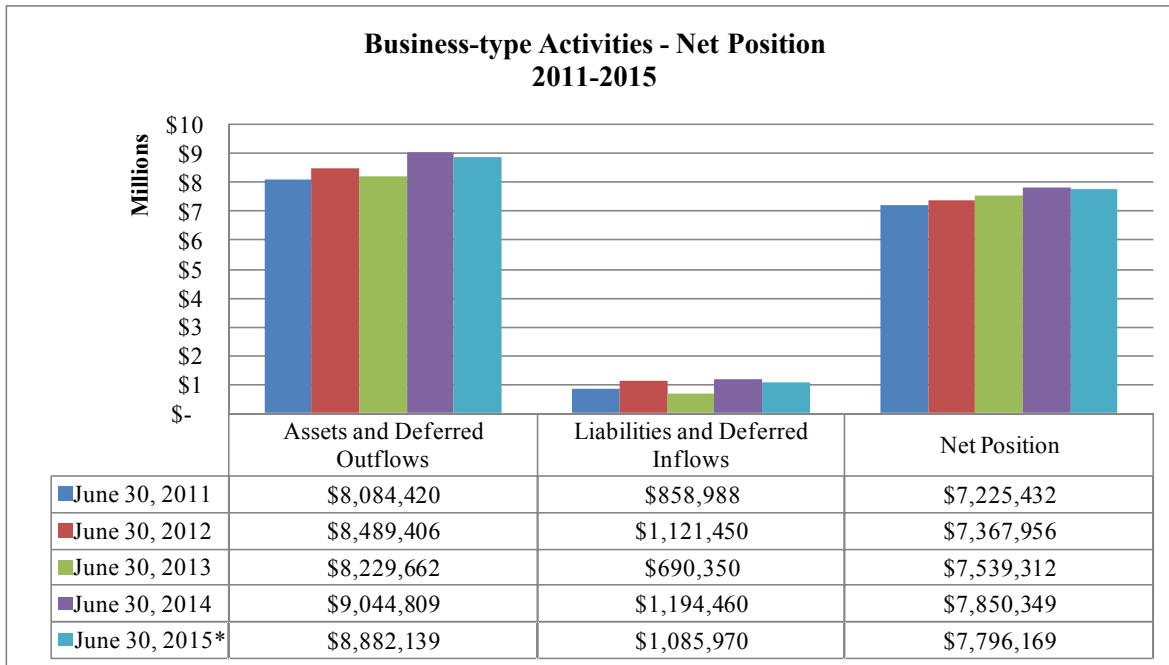
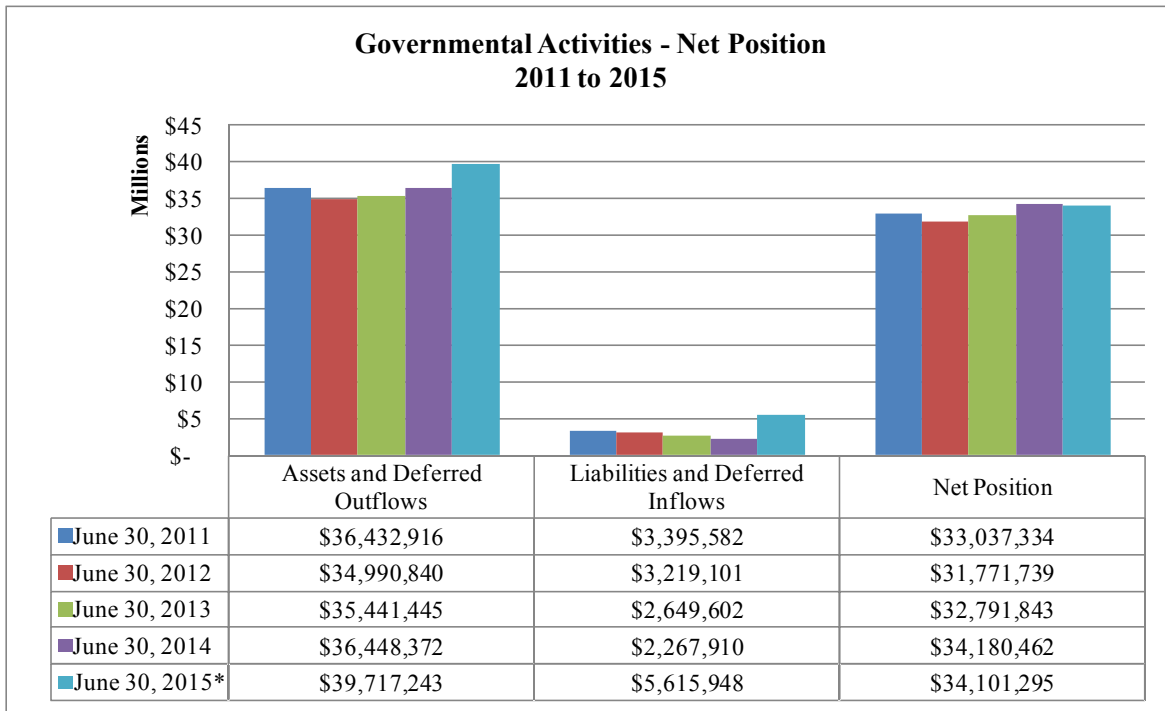
The Town's net position increased by \$146,267 in restricted resources from \$1,520,545 in 2013-2014 to \$1,666,812 in 2014-2015. These resources are subject to external restrictions on how they may be used. These includes in-lieu fees collected on pathways, storm drain, and parks. These may also include grants and restricted donations.

The remaining balance of unrestricted net position, \$9,838,409, of which \$7,064,274 is classified as governmental activities and may be used to meet the Town's ongoing obligations to citizens and creditors. The \$2,774,135 in business-type activities (Sewer) may only be used to meet the Town's sewer obligations to citizens and creditors.

On June 30, 2015, the Town is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. Note that the Town's Internal Service Fund is reported as a part of Governmental Activities in the Government-wide Financial Statements.

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015



*June 30, 2015 Net Positions include the recognition of net pension liability and related deferred inflows and outflows of resources in accordance with GASB Nos. 68 and 71.

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Statement of Activities

The following schedule shows summarized information for the current and prior year on the changes in net position. The net change in net positions before transfers and prior period adjustment for Governmental Activities totals \$2,386,738, which is \$998,120 more than the net change in 2013-2014. This is resulted from increases in property tax revenues and charges for services contributed primarily by planning and building related activities. Business-type activities net position, before transfers and prior period adjustment, did not change significantly during 2014-2015, with an increase of \$54,158. With the implementation of GASB 68, the beginning net positions are re-stated to account for unfunded pension liabilities. Significant changes year-over-year are discussed in subsequent sections.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program revenues						
Charges for services	\$ 3,280,830	\$ 2,339,635	\$ 1,392,029	\$ 1,382,472	\$ 4,672,859	\$ 3,722,107
Operating contributions/grants	338,453	500,245	-	-	338,453	500,245
Capital contributions/grants	246,533	266,736	234,339	175,497	480,872	442,233
General revenues						
Property taxes	4,606,184	4,153,331	-	-	4,606,184	4,153,331
Motor vehicle license tax	3,706	101,716	-	-	3,706	101,716
Other taxes	645,836	524,763	-	-	645,836	524,763
Franchise fees	513,997	463,598	-	-	513,997	463,598
Use of money and property	208,776	199,609	19,533	24,719	228,309	224,328
Other unrestricted	174,469	585,089	-	-	174,469	585,089
Total revenues	<u>10,018,784</u>	<u>9,134,722</u>	<u>1,645,901</u>	<u>1,582,688</u>	<u>11,664,685</u>	<u>10,717,410</u>
EXPENSES						
Administration	538,004	639,350	-	-	538,004	639,350
Public safety	1,567,747	1,555,955	-	-	1,567,747	1,555,955
Community development	3,324,935	3,224,490	-	-	3,324,935	3,224,490
Parks and recreation	1,358,479	1,479,822	-	-	1,358,479	1,479,822
Drainage and street operations	839,577	842,532	-	-	839,577	842,532
Sewer	-	-	1,591,743	1,271,651	1,591,743	1,271,651
Interest on long-term debt	3,304	3,955	-	-	3,304	3,955
Total expenses	<u>7,632,046</u>	<u>7,746,104</u>	<u>1,591,743</u>	<u>1,271,651</u>	<u>9,223,789</u>	<u>9,017,755</u>
Increase (decrease) in net position before transfers and special item	2,386,738	1,388,618	54,158	311,037	2,440,896	1,699,655
Transfers in (out)	-	-	-	-	-	-
Change in net position	<u>2,386,738</u>	<u>1,388,618</u>	<u>54,158</u>	<u>311,037</u>	<u>2,440,896</u>	<u>1,699,655</u>
Net position, beginning of year	34,180,462	32,791,844	7,850,349	7,539,312	42,030,811	40,331,156
Prior period adjustment	<u>(2,465,905)</u>	<u>-</u>	<u>(108,338)</u>	<u>-</u>	<u>(2,574,243)</u>	<u>-</u>
Net Position, Beginning of Year, as restated	<u>31,714,557</u>	<u>32,791,844</u>	<u>7,742,011</u>	<u>7,539,312</u>	<u>39,456,568</u>	<u>40,331,156</u>
Net position, end of year	<u>\$ 34,101,295</u>	<u>\$ 34,180,462</u>	<u>\$ 7,796,169</u>	<u>\$ 7,850,349</u>	<u>\$ 41,897,464</u>	<u>\$ 42,030,811</u>

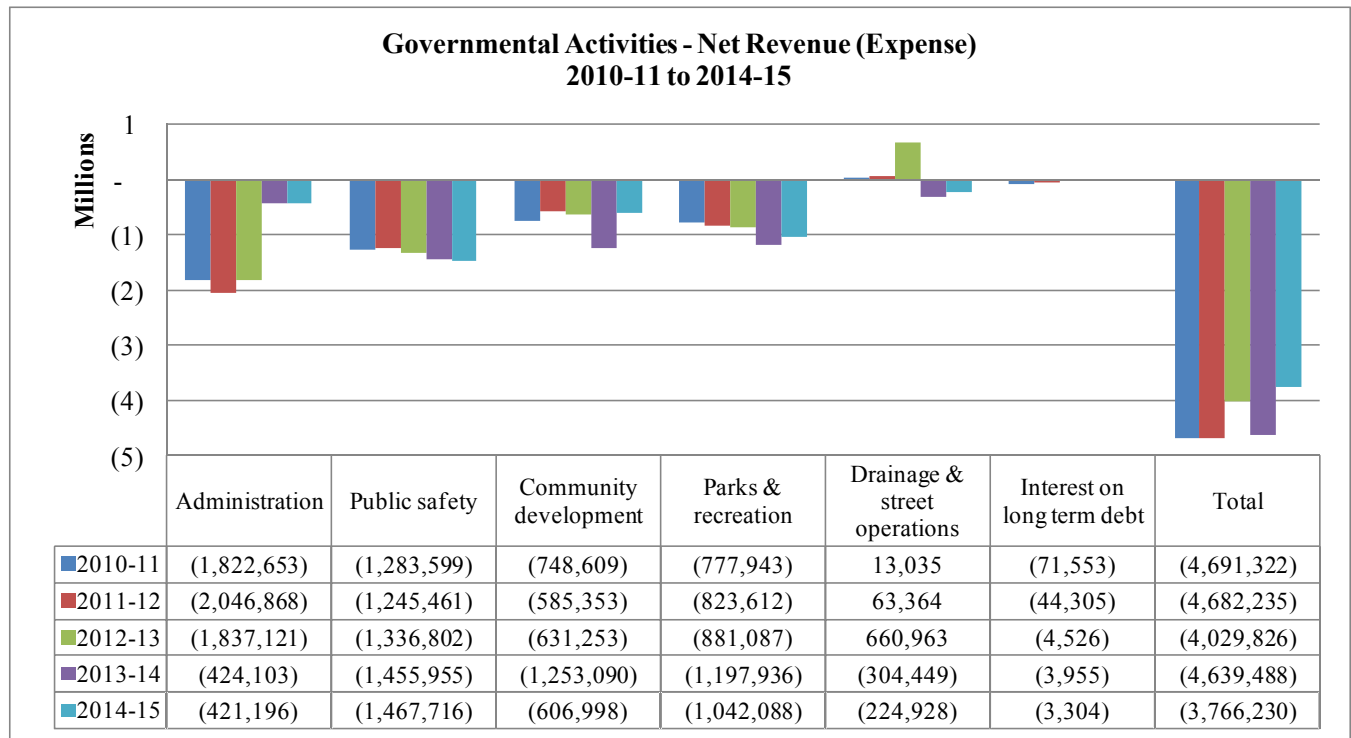
TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Governmental Activities - Program Revenues and Expenses

The table below compares expenses by function with the corresponding program revenues for governmental activities. Program revenues are considered those revenues with a direct relationship to a service or program offered by the Town. The Town uses general revenues, comprised primarily of taxes, to provide for Town services where program revenues are insufficient. In the table below, a Net Expense represents a demand on general revenues.



Overall, net revenues (expenses) for governmental activities for 2014-2015 was (\$3,766,230), a reduction of \$873,258 or 19 percent, from the previous year. The primary driver of the reduction in net program expense is attributable to higher license and permits and charges for services related revenues in Community Development, additional classes and camps in Parks & Recreation, and increase in Street and Storm Drainage charges and fees.

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

	2015			2014		
	Program revenues	Expenses	Net revenue (expenses)	Program revenues	Expenses	Net revenue (expenses)
Administration	\$ 116,808	\$ 538,004	(421,196)	\$ 215,247	\$ 639,350	\$ (424,103)
Public safety	100,031	1,567,747	(1,467,716)	100,000	1,555,955	(1,455,955)
Community development	2,717,937	3,324,935	(606,998)	1,971,400	3,224,490	(1,253,090)
Parks & recreation	316,391	1,358,479	(1,042,088)	281,886	1,479,822	(1,197,936)
Drain/street	614,649	839,577	(224,928)	538,083	842,532	(304,449)
Interest expense	-	3,304	(3,304)	-	3,955	(3,955)
	<u>\$ 3,865,816</u>	<u>\$ 7,632,046</u>	<u>\$ (3,766,230)</u>	<u>\$ 3,106,616</u>	<u>\$ 7,746,104</u>	<u>\$ (4,639,488)</u>

Business-type Activities. The Town's sole business-type activity is the sewer fund. The change in net position for sewer is \$54,158 – a \$256,879 reduction compared to 2013-2014. The primary driver of this reduction is resulted from increased sewer operating maintenance. Further details can be found in the subsequent section on Fund Financial Analysis.

FUND FINANCIAL ANALYSIS

Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances

The following is a schedule of revenues, expenditures, and changes in fund balances for each of the major governmental and aggregate non-major governmental funds on the modified accrual basis:

	General Fund	Street Capital Project	Other Capital Project	Non-major	Total
Revenues	\$ 8,845,141	\$ 124,148	\$ 134,486	\$ 874,153	\$ 9,977,928
Expenditures	4,759,750	1,522,845	242,962	1,161,883	7,687,440
Net transfers	(2,381,589)	1,398,696	523,987	458,906	-
Net increase/ (decrease)	1,703,802	(1)	415,511	171,176	2,290,488
Fund balances, beginning of year	5,705,162	65,682	453,377	1,520,110	7,744,331
Fund balances, end of year	<u>\$ 7,408,964</u>	<u>\$ 65,681</u>	<u>\$ 868,888</u>	<u>\$ 1,691,286</u>	<u>\$ 10,034,819</u>

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

General Fund - As the Town's primary operating fund, the General Fund receives unrestricted revenues such as property taxes and fee revenue. The General Fund provides Town administrative services (Town Council, Town Attorney, Town Manager, Town Clerk, and Administrative Services), law enforcement and animal control services, and land development related services such as planning, building, and engineering.

Street Capital Projects Fund - accounts for street paving and rehabilitation related capital expenditures. The main source of revenues comes from State of California Gas Tax revenues, developer fees for street excavation, grants, and the General Fund.

Other Capital Projects Fund - includes capital improvements to the Town's storm drainage system, pathway, Westwind Barn and other Town-wide infrastructure. Projects completed in 2014-2015 included O'Keefe Restoration, Dog Park at Purissima Park, El Monte/Magdalena Road Pathway and three new paddocks at Westwind Barn.

Nonmajor Governmental Funds - is an aggregate of the Town's remaining special revenues funds and debt service funds. Each fund is listed in detail beginning on page 70 in the Supplementary Information section of the financial statement.

Governmental Funds – Changes in Fund Balances

The net activity for the governmental fund balances for 2014-2015 resulted in an increase of \$2,290,488. Compared to prior year, the net increase in fund balance is \$35,166 less than 2013-2014. Although total revenues increased by \$925,821, the Town also invested more funds in capital improvements.

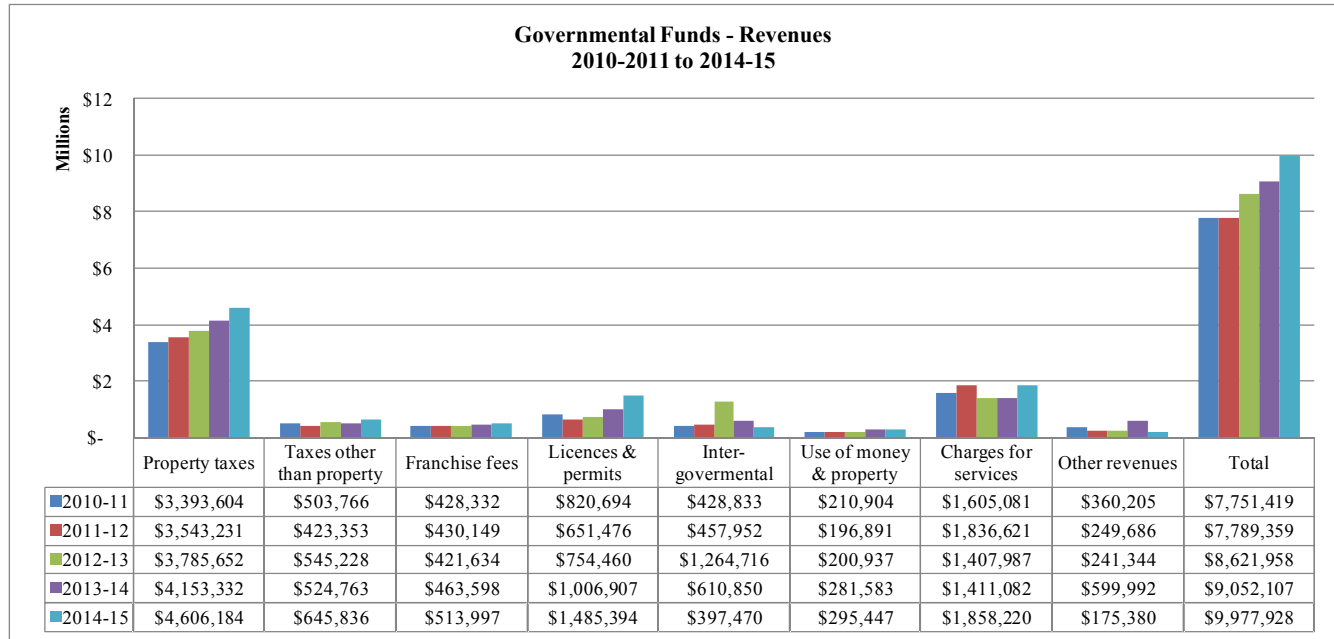
	2015	2014	\$ Increase (decrease)
Revenues	\$ 9,977,928	\$ 9,052,107	\$ 925,821
Expenditures	7,687,440	6,726,453	960,987
Net increase/(decrease)	<u>\$ 2,290,488</u>	<u>\$ 2,325,654</u>	<u>\$ (35,166)</u>

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Governmental Funds – Revenues

Overall, revenues in all Governmental Funds increased by \$925,821, or 10 percent, compared to prior year. The primary drivers are higher property tax, license and permit revenues, and charges for services.



GENERAL FUND REVENUES

General Fund revenues for the year ended June 30, 2015, increased by \$799,346, or 10 percent, over the prior year. The following chart summarizes revenues into major categories for comparative purposes across two fiscal years.

	2015	2014	\$ Increase (decrease)	% Increase (decrease)
Property taxes	\$ 4,606,184	\$ 4,153,332	\$ 452,852	11%
Taxes other than property	645,836	524,763	121,073	23%
Franchise fees	513,997	463,598	50,399	11%
Licenses and permits	1,407,564	980,307	427,257	44%
Intergovernmental	41,513	56,128	(14,615)	-26%
Use of money and property	250,774	230,869	19,905	9%
Charges for services	1,303,144	1,070,199	232,945	22%
Miscellaneous	76,129	566,599	(490,470)	-87%
Total	<u>\$ 8,845,141</u>	<u>\$ 8,045,795</u>	<u>\$ 799,346</u>	10%

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

- **Property tax** - represents 52 percent of total 2014-2015 revenues. Current fiscal year recorded a year-over-year increase of \$452,852 or 11 percent. This increase was driven by increases in single family home assessed value through property transfers and a reversal of Proposition 8 valuation adjustment.
- **Taxes other than property** – reflected a 23 percent increase compared to prior year due to higher business license tax (\$12,200), real property transfer tax (\$51,200) due to a strong real estate market, and sales tax receipts (\$50,300).
- **Franchise fees** – increased by \$50,399, or 11 percent, in 2014-2015 when compared to prior year. Franchise fees are charged as a percentage of gross revenue and there was an across-the-board increase in receipts from all utility service providers.
- **Licenses and permits** – experienced a substantial increase year-over-year of \$427,257. This increase is the result of higher building permit activity when compared to prior year and also reflects the impact of one full-year of higher permit fees implemented in June 2014.
- **Intergovernmental revenues** – decreased by \$14,615 in 2014-2015. The 2013-2014 intergovernmental revenues of \$56,128 included one-time grant revenues in the amount of \$6,910. Additionally, vehicle fines and fees collected by the County and disseminated to the Town declined.
- **Use of Money and property** – reflected \$19,905 increase driven by higher Cellular Tower ground lease revenues from two cell tower contracts renegotiated in 2013-2014 and COLA adjustment to the other ones, and improvement in portfolio investment earnings due to larger portfolio balances.
- **Charges for services** – recorded an increase of \$232,945 in 2014-2015 when compared to prior year. This increase is due primarily to higher charges for services and reimbursements for staff time from increased planning activities and higher fees.
- **Miscellaneous Revenues** – decreased by \$490,470 or 87 percent over the prior year, primarily due to one-time revenue recognition of \$413,683 resulting from the closure of the RIF refund program in 2013-2014.

STREETS CAPITAL PROJECTS FUND REVENUE

Revenue sources for the street capital improvement program are limited. In 2014-2015, the Town received \$124,148 in revenues, of which \$83,704, or 67 percent was from state traffic congestion relief and SB 83 vehicle registration fee revenues. In 2014-2015, both traffic congestion relief and SB 83 vehicle registration fee revenues declined resulting in total revenues collected declining by \$161,325, a 57 percent reduction.

	2015	2014	\$ Increase (decrease)	% Increase (decrease)
Intergovernmental	\$ 83,704	\$ 222,712	\$ (139,008)	-62%
Charges for services	40,444	48,511	(8,067)	-17%
Miscellaneous	0	14,250	(14,250)	-100%
Total	<u>\$ 124,148</u>	<u>\$ 285,473</u>	<u>\$ (161,325)</u>	-57%

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

OTHER CAPITAL PROJECTS FUNDS REVENUE

Revenues recorded in Other Capital Project Funds are generally one-time in nature. In 2013-2014, the Town received a one-time \$60,000 grant for EG Access. In 2014-2015, the Town received \$68,196 for the C-2 Trails for construction and pathway maintenance reimbursement.

	2015	2014	\$ Increase (decrease)	% Increase (decrease)
Intergovernmental	\$ 23,134	\$ 60,000	\$ (36,866)	-61%
Use of money and property	39,575	45,405	(5,830)	-13%
Miscellaneous	71,777	19,143	52,634	275%
Total	<u>\$ 134,486</u>	<u>\$ 124,548</u>	<u>\$ 9,938</u>	8%

NONMAJOR FUNDS REVENUE

Nonmajor governmental funds revenues for 2014-2015 totaled \$874,153, a \$277,862 increase or 47 percent. Majority of the funds in this category is driven by residential development. The Town assesses in-lieu fees on planning projects for specific Town services as required by regulations. These include storm drainage, pathway, and parks and recreation. Street encroachment fees may also be assessed on such development projects.

	2015	2014	\$ Increase (decrease)	% Increase (decrease)
Licenses and permits	\$ 77,830	\$ 26,600	\$ 51,230	193%
Intergovernmental	249,119	272,010	(22,891)	-8%
Use of money and property	5,098	5,309	(211)	-4%
Charges for services	514,632	292,372	222,260	76%
Miscellaneous	27,474	0	27,474	0%
Total	<u>\$ 874,153</u>	<u>\$ 596,291</u>	<u>\$ 277,862</u>	47%

- **Licenses and permits** – increased by \$51,230 as a result of an increased number of encroachment permits issued for work performed in the Town’s public right-of-way.
- **Intergovernmental revenues** – within nonmajor funds includes Gas Tax and Citizens’ Option for Public Safety grant. These are allocated for specific uses and cannot be comingled with other funds or used for unauthorized expenditures.
- **Charge for services** – are assessed on major planning projects when finalized and in-lieu fees and pathway construction fees can be collected. The fees collected are restricted to specific use, such as drainage, pathway, or parks & recreation improvements. In 2014-2015, a subdivision project on Burke Drive was finalized and the park & recreation in-lieu fee was assessed and collected.
- **Miscellaneous revenues** – In 2014-2015, Town residents made special donations, totaling \$27,474, to the Town for historical preservation and public art display.

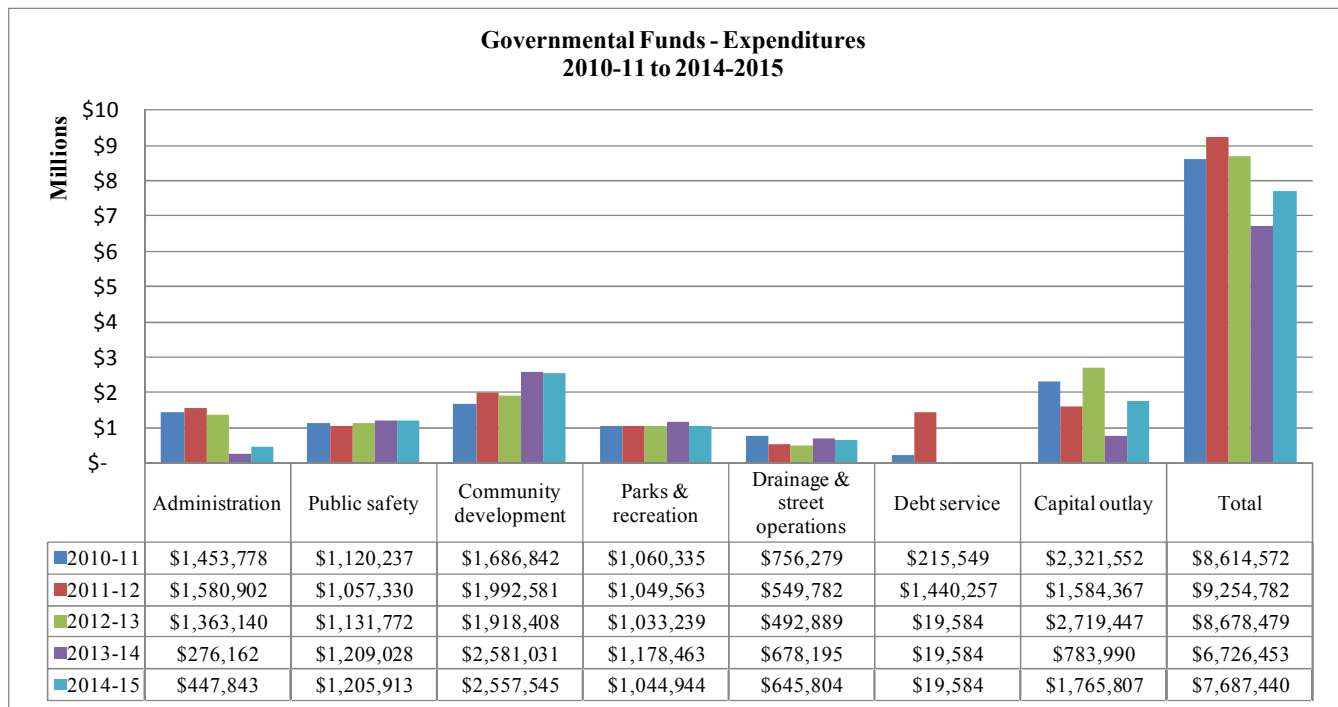
TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Governmental Funds – Expenditures

Overall expenditures in all Governmental Funds increased by \$960,987, or 14 percent compared to prior year, mainly due to the timing of capital outlays. Reductions in some categories were offset by increases in others. The chart below identifies significant trends in expenditures over the past five fiscal years.



TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

GENERAL FUND EXPENDITURES

General Fund expenditures for the current year increased by \$5,845 or approximately 0.1 percent, over the prior fiscal year.

	2015	2014	\$ Increase (decrease)	% Increase (decrease)
Administration	\$ 447,843	\$ 276,162	\$ 171,681	62%
Public safety	1,138,511	1,134,527	3,984	0%
Community development	2,557,545	2,581,031	(23,486)	-1%
Parks and recreation	615,851	762,185	(146,334)	-19%
Total	<u>\$ 4,759,750</u>	<u>\$ 4,753,905</u>	<u>\$ 5,845</u>	0%

- **Administration** – expenditures increased by \$171,681, or 62 percent in comparison to the prior year. As discussed previously, the Town implemented a CAP overhead model in 2013-2014 which was modified in 2014-2015 by eliminating one department from the overhead allocation pool. Under the CAP allocation methodology, costs for the Town's administrative departments (except Committees) are allocated directly to operating departments, and special and enterprise funds. The reported expenditures of \$447,843 are net of CAP allocations in 2014-2015.
- **Public Safety** – expenditures increased by \$3,984 or 0.4 percent compared to the prior year. This category includes law enforcement services contract with the Santa Clara County Sheriff's Office and animal control services with the City of Palo Alto. The Town's law enforcement contract is based on an annual budget. Based on that budget, the Town makes monthly payments. At the end of the year, the County Sheriff calculates the total hours actually used by the Town and will either issue a refund check or request additional payment for any overage. In 2014-2015, the Town received a refund of \$56,223, which offset majority of the increases in the law enforcement and animal control services.
- **Community Development** – decreased by \$23,486, or 1 percent, mainly as a result of salary and benefit savings due to vacant positions for majority of the fiscal year. Vacant positions were filled as necessary by consultants.
- **Parks and recreation** – expenditures decreased by \$146,334, or 19 percent. With outsourcing the operations at Westwind Barn to a third party concessionaire, the Town's experienced a \$158,200 saving in 2014-2015.

STREETS CAPITAL PROJECTS FUND EXPENDITURES

A recent analysis determined that an annual street maintenance program between \$800,000 and \$1,000,000 per year is needed to repair and replace aging roadway infrastructure. This spending level is consistent with the Town's recent historical spending. Increased annual investment will be necessary to allow the Town to repair public roads that until this year were thought to be privately maintained. The 2014-2015 capital improvement program totaled \$1,522,845, which is \$1,049,583 higher than prior year. Program spending in the prior year was low due to project timing.

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

OTHER CAPITAL PROJECTS FUND EXPENDITURES

Expenditures for other capital projects were \$242,962 for fiscal year 2014-2015, compared to \$178,287 for the prior year, an increase of \$64,675. Major work areas completed and reported in Other Capital Projects included:

Facility Improvements	\$163,766
O'Keefe/Purissima Creek Restoration; Adobe/Edith Creek Restoration	
Dog Park at Purissima Park; Paddocks at Westwind Barn	
Pathway Projects in Progress	\$25,164
El Monte/Magdalena Road Pathway; Miranda Path Design	
Drainage Project in Progress	\$54,022
Matadero Creek Repair Project	

NONMAJOR GOVERNMENTAL FUNDS EXPENDITURES

The 2014-2015 total expenditures for all nonmajor funds is \$1,161,883, or \$159,116 less than 2013-2014, which included the completion of Westwind Barn Lower Arena improvement – a one-time cost of \$132,441.

	2015	2014	\$ Increase (decrease)	% Increase (decrease)
Public safety	\$ 67,402	\$ 74,501	\$ (7,099)	-10%
Parks and recreation	429,093	416,278	12,815	3%
Drainage and street operations	645,804	678,195	(32,391)	-5%
Debt service	19,584	19,584	0	0%
Capital outlay	0	132,441	(132,441)	0%
Total	<u>\$ 1,161,883</u>	<u>\$ 1,320,999</u>	<u>\$ (159,116)</u>	-12%

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

Governmental Funds – Fund Balances

At June 30, 2015, the Town's Governmental Funds fund balance is \$10,034,819. The Town has classified the fund balance in accordance with GASB issued Statement No. 54 (refer to Note 1 - Summary of Significant Accounting Policies). The \$1,691,286 of the Town's Governmental Funds fund balance is restricted in that they are subject to externally enforceable legal restrictions or imposed by law through constitutional provisions or enabling legislation. Within these restricted fund balances, \$1,174,668 is restricted for other capital projects, \$338,757 is restricted for the repair, maintenance and construction of streets, \$24,474 is restricted as a result of special donations and \$153,387 is restricted for law enforcement. \$1,294,569 of the Town's Governmental Funds fund balance is committed in that they are constrained to specific purposes by a formal action of the Town Council such as an ordinance or resolution. Within these committed fund balances, \$868,888 is committed for other capital projects, and \$65,681 is committed for street and road repairs. Additional committed fund balances are described in more detail below. It is worthwhile to note unrecorded liabilities that are not reflected in the Town's Governmental Funds fund balance, such as the Town's share of CalPERS' pension liability, is reported on the Entity-Wide Statements of Net Position in compliance with GASB Statement No. 68.

	<u>General Fund</u>	<u>Street Capital Project</u>	<u>Other Capital Project</u>	<u>Non-major</u>	<u>Total</u>
Restricted for:					
Other capital projects	\$ -	\$ -	\$ -	\$ 1,174,668	\$ 1,174,668
Street and road repairs	-	-	-	338,757	338,757
Law enforcement	-	-	-	153,387	153,387
Other special revenue funds				24,474	24,474
Committed for:					
Pension contributions	350,000	-	-	-	350,000
IT Equipment Replacement Reserve	10,000	-	-	-	10,000
Other capital projects	-	-	868,888	-	868,888
Street and road repairs	-	65,681	-	-	65,681
Unassigned	7,048,964	-	-	-	7,048,964
	<u>\$ 7,408,964</u>	<u>\$ 65,681</u>	<u>\$ 868,888</u>	<u>\$ 1,691,286</u>	<u>\$ 10,034,819</u>

Total Town's General Fund's fund balance at June 30, 2015 is \$7,408,964. This includes committed pension contingency fund of \$350,000. The City Council has adopted a pension contingency fund to provide for unanticipated charges from CalPERS to fund the pension's unfunded liability. According to the October 2014 annual valuation report provided by the CalPERS Actuarial Office, CalPERS assets are insufficient to meet its actuarial liabilities, and the Town's share of the unfunded liability on a market value of assets basis as of June 30, 2013, is reported as \$2,007,540. Under the provision of GASB Statement Number 68, it is reported as a liability on the government-wide statements of net position as of June 30, 2015.

As a measure of the General Fund's liquidity, it may be useful to compare each component of fund balance and total fund balance to total fund expenditures. At June 30, 2015, the unassigned fund balance and total fund balance represent 148 percent and 156 percent of General Fund expenditures, respectively. At June 30, 2014, the unassigned fund balance and total fund balance represented 114 percent and 120 percent of General Fund expenditures.

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

The Town's net OPEB Asset is \$519,964 and further details are described in Note 11 of the Notes to the Financial Statement.

Enterprise Fund (Sewer): Statement of Revenues, Expenses, and Changes in Fund Net Position

The change in sewer net position before prior period adjustment, at June 30, 2015, is an increase of \$54,158. The Town's sole enterprise fund provides sanitary sewer services to roughly half of the parcels within the jurisdiction. Service fees are collected annually on the property tax roll. In May 2015, the City Council approved a sewer rate increase, effective July 2015. The increase in revenue will help the Town make improvements and perform routine preventive measures on the Town's aging sewer infrastructure.

	<u>Sewer</u>			
	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>\$ Increase (decrease)</u>	<u>% Increase (decrease)</u>
OPERATING REVENUES				
Charges for services	\$ 1,392,029	\$ 1,382,472	\$ 9,557	1%
Total Operating Revenues	<u>1,392,029</u>	<u>1,382,472</u>	<u>9,557</u>	<u>1%</u>
OPERATING EXPENSES				
Salaries and benefits	143,547	72,784	70,763	97%
Contract services	1,171,876	827,506	344,370	42%
Operating expenses	101,063	211,665	(110,602)	-52%
Depreciation	<u>175,257</u>	<u>159,696</u>	<u>15,561</u>	<u>10%</u>
Total Operating Expenses	<u>1,591,743</u>	<u>1,271,651</u>	<u>320,092</u>	<u>25%</u>
Operating Income (Loss)	<u>(199,714)</u>	<u>110,821</u>	<u>(310,535)</u>	<u>-280%</u>
NONOPERATING REVENUE (EXPENSES)				
Investment income	<u>19,533</u>	<u>24,719</u>	<u>(5,186)</u>	<u>-21%</u>
Income before contributions and transfers	(180,181)	135,540	(315,721)	-233%
Connection Fees	<u>234,339</u>	<u>175,497</u>	<u>58,842</u>	<u>34%</u>
Changes in net position	<u>54,158</u>	<u>311,037</u>	<u>(256,879)</u>	
Total Net Position, Beginning of Year	7,850,349	7,539,312	311,037	4%
Prior period adjustment	<u>(108,338)</u>	<u>-</u>	<u>(108,338)</u>	
Total net position - beginning, as restated	<u>7,742,011</u>	<u>7,539,312</u>	<u>202,699</u>	
Total Net Position, End of Year	<u>\$ 7,796,169</u>	<u>\$ 7,850,349</u>	<u>\$ (54,180)</u>	<u>-1%</u>

Total Sewer expenses increased by \$320,092 to \$1,591,743. Salaries and benefit increased \$70,763 or 97 percent mainly due to allocating more of Senior Engineer's time to Sewer operations and capital improvements. Contract services increased \$344,370 or 41 percent from the prior year to \$1,171,876. Majority of the increase, 67 percent, is attributable to the cost of actual treatment and conveyance expenses from Cities of Los Altos and Palo Alto – an increase of \$229,900. The Town also entered into a new sewer maintenance agreement with West Bay Sanitary District, whose scope of work has increased in comparison to prior years. Operating expenses decreased \$110,602 or 52 percent reflecting a one-time CAP overhead credit for prior year allocations – per the recommendation of the Sewer Ad Hoc Committee and approval of the City Council in March 2015.

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

In 2014-2015, the Sewer Fund had an operating loss of \$199,714, compared to operating income of \$110,821 for the prior year. Connection fees, or fees paid by new users to connect to the sewer main for future capital improvements to the system, are reported as capital contributions and increased \$58,842, compared to the prior year due to an increase in the number of connections to the Los Altos and Palo Alto sewer basin.

General Fund Budgetary Highlights

Original budget compared to final budget. In March 2015, Town Management presented to the City Council a mid-year year-to-date actual review along with proposed budget amendments. As part of the mid-year review, a year-end estimate is prepared to determine any significant budgetary changes need to be made. Estimates that exceeds the original budget by 5 percent and \$10,000 warrant budget adjustments. As part of this mid-year review, the City Council approved an increase in General Fund revenues by \$482,600 or 6.7 percent and Town-wide by \$684,700 or 6.9 percent. Total budgeted expenditure adjustment for General Fund was \$126,691 and \$968,100 for Town-wide. Majority of the expenditure budget adjustment were previously City Council approved additional projects from July 2014 thru February 2015. Majority of the revenue budget adjustment were driven by updated forecast and information provided by the County Assessor's office, HdL Consulting, and other third party information.

Final budget compared to actual results. A comparison of the final budget to actual revenues, expenditures, and fund balances for all funds is presented below and details may be found in the Supplementary Information section beginning on page 65. Overall, the Town's actual ending fund balance exceeded Town's expectation by \$3,138,172. General Fund ended the year with \$2,286,758 better than expectation. This was driven by favorable revenue outcome in property tax, licenses and permits, and charges for services, which were discussed earlier. General Fund expenditures and transfers out were also significantly under budget. Other Capital Projects funds ended the year with \$452,811 more than anticipated because storm and pathway capital improvements were deferred. Sewer Fund's positive variance is \$365,059 and is a result of deferred operating project, such as computerized maintenance system evaluation and delay of master plan development until after completion of asset evaluation. It is important to note that the table below reflects fund balance budget and actual variance, while the schedules in the Required Supplementary Information section provide a more detailed variance analysis.

FUND	Amended Budget		
	Ending Fund Balance	Actual Ending Fund Balance	Positive (Negative) Variance
General	\$ 5,122,206	\$ 7,408,964	\$ 2,286,758
Storm Drain	488,597	426,316	(62,281)
Pathway In-Lieu Fees	642,403	638,823	(3,580)
Parks and Recreation In-Lieu Fees	41,565	109,529	67,964
Street Fund	397,162	338,757	(58,405)
Citizens' Option for Public Safety (COPS) Grant	71,114	153,387	82,273
Special Donations	16,900	24,474	7,574
Debt Service	-	-	-
Street Capital	65,682	65,681	(1)
Other Capital Projects	416,077	868,888	452,811
Sewer	7,431,110	7,796,169	365,059
TOTAL	\$ 14,692,816	\$ 17,830,988	\$ 3,138,172

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$30,473,603 net of accumulated depreciation, an increase of \$65,718. Capital spending included \$1,765,806 in infrastructure, and \$422,371 in sewer collection system. Capital assets include land, buildings, equipment, vehicles and infrastructure. No changes were recorded in land for the fiscal year. The following table presents summarized information on capital assets net of depreciation for fiscal years 2014 and 2015. Additional information on the Town's capital assets can be found in Note 4 to the financial statements.

Capital Assets (Net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 250,535	\$ 250,535	\$ -	\$ -	\$ 250,535	\$ 250,535
Buildings	3,772,811	3,903,449	-	-	3,772,811	3,903,449
Office equipment	19,149	37,111	-	-	19,149	37,111
Vehicles	126,987	154,682	-	-	126,987	154,682
Sewer collection system	-	-	5,022,034	4,774,920	5,022,034	4,774,920
Infrastructure	21,282,087	21,287,188	-	-	21,282,087	21,287,188
Total capital assets, net	<u>\$ 25,451,569</u>	<u>\$ 25,632,965</u>	<u>\$ 5,022,034</u>	<u>\$ 4,774,920</u>	<u>\$ 30,473,603</u>	<u>\$ 30,407,885</u>

TOWN OF LOS ALTOS HILLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Long-term Debt

The Town received a loan from the California Energy Commission in the amount of \$160,000 to provide funding for energy conservation features at the Town Hall building in 2008 and a \$47,000 loan from the California Energy Commission for energy efficiency improvements at Westwind Community Barn in 2010-2011. Interest payments for both loans during the current year totaled \$3,372 and principal in the amount of \$16,212 was retired. The balance of the two debts as of June 30, 2015 is \$81,360; of that amount, \$16,820 is due within one year and the balance, \$64,540, is due in more than one year.

Obligation	June 30, 2015		
	Principal Balance	Interest Rate	Payoff
2004 California Energy Commission loan	\$ 49,717	3.95%	12/2018
2010 California Energy Commission loan	31,643	3.00%	12/2023
Total	<u>\$ 81,360</u>		

There is no dedicated source of revenue to fund these debt payments however the payments are appropriated annually as part of the Town's operating budget. Additional information on long-term debt can be found in Note 5 to the financial statements.

Requests for information

This financial report is designed to provide a general overview of the Town of Los Altos Hills' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Town of Los Altos Hills
Attn: Administrative Services Director
26379 Fremont Road
Los Altos Hills, CA 94022

BASIC FINANCIAL STATEMENTS

TOWN OF LOS ALTOS HILLS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 13,254,308	\$ 3,748,154	\$ 17,002,462
Accounts receivables	275,727	102,476	378,203
Net OPEB asset	519,964	-	519,964
Total current assets	14,049,999	3,850,630	17,900,629
Capital assets:			
Land	250,535	-	250,535
Other capital assets, net of depreciation:			
Buildings	3,772,811	-	3,772,811
Office equipment	19,149	-	19,149
Vehicles	126,987	-	126,987
Land improvements	-	5,022,034	5,022,034
Infrastructure	21,282,087	-	21,282,087
Total capital assets	25,451,569	5,022,034	30,473,603
Total Assets	39,501,568	8,872,664	48,374,232
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	215,675	9,475	225,150
LIABILITIES			
Current liabilities:			
Accounts payable	538,661	880,910	1,419,571
Other liabilities	64,111	84,725	148,836
Refundable deposits	2,162,347	-	2,162,347
Compensated absences due within one year	12,496	19	12,515
Current portion of long-term debt	16,820	-	16,820
Total current liabilities	2,794,435	965,654	3,760,089
Non-current liabilities:			
Compensated absences due in more than one year	87,435	3,032	90,467
Net pension liability	1,923,052	84,488	2,007,540
Long-term debt due in more than one year	64,540	-	64,540
Total non-current liabilities	2,075,027	87,520	2,162,547
Total Liabilities	4,869,462	1,053,174	5,922,636
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	746,486	32,796	779,282
NET POSITION			
Net investment in capital assets	25,370,209	5,022,034	30,392,243
Restricted for:			
Highways and streets	338,757	-	338,757
Public safety	153,387	-	153,387
Other capital projects	1,174,668	-	1,174,668
Unrestricted	7,064,274	2,774,135	9,838,409
Total Net Position	\$ 34,101,295	\$ 7,796,169	\$ 41,897,464

The accompanying notes are an integral part of these financial statements.

TOWN OF LOS ALTOS HILLS

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2015

		Program Revenues			Net Revenue (Expense) and Change in Net Position		
			Operating	Capital			
	Expenses	Charges for Services	Contributions and Grants	Contributions and Grants	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Administration	\$ 538,004	\$ -	\$ 89,334	\$ 27,474	\$ (421,196)	\$ -	\$ (421,196)
Public safety	1,567,747	1,302	98,729	-	(1,467,716)	-	(1,467,716)
Community development	3,324,935	2,623,027	-	94,910	(606,998)	-	(606,998)
Parks and recreation	1,358,479	316,391	-	-	(1,042,088)	-	(1,042,088)
Drainage and street operations	839,577	340,110	150,390	124,149	(224,928)	-	(224,928)
Interest on long-term debt	3,304	-	-	-	(3,304)	-	(3,304)
Total Governmental Activities	7,632,046	3,280,830	338,453	246,533	(3,766,230)	-	(3,766,230)
Business-type Activities:							
Sewer	1,591,743	1,392,029	-	234,339	-	34,625	34,625
Total Business-type Activities	1,591,743	1,392,029	-	234,339	-	34,625	34,625
Total Primary Government	\$ 9,223,789	\$ 4,672,859	\$ 338,453	\$ 480,872	(3,766,230)	34,625	(3,731,605)
General Revenues:							
Taxes:							
Property taxes					4,606,184	-	4,606,184
Motor vehicle license tax					3,706	-	3,706
Other taxes					645,836	-	645,836
Franchise taxes					513,997	-	513,997
Use of money and property					208,776	19,533	228,309
Other unrestricted revenue					174,469	-	174,469
Revenues					6,152,968	19,533	6,172,501
Change in Net Position					2,386,738	54,158	2,440,896
Net Position, Beginning of Year					34,180,462	7,850,349	42,030,811
Prior period adjustment					(2,465,905)	(108,338)	(2,574,243)
Net Position, Beginning of Year, as restated					31,714,557	7,742,011	39,456,568
Net Position, End of Year					\$ 34,101,295	\$ 7,796,169	\$ 41,897,464

The accompanying notes are an integral part of these financial statements.

TOWN OF LOS ALTOS HILLS

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2015

	General	Street Capital Projects	Other Capital Projects	Nonmajor Governmental Funds	Total
ASSETS					
Cash and investments	\$ 9,437,526	\$ 456,555	\$ 884,262	\$ 1,691,626	\$ 12,469,969
Accounts receivable	264,815	2,579	-	8,333	275,727
Total Assets	<u>\$ 9,702,341</u>	<u>\$ 459,134</u>	<u>\$ 884,262</u>	<u>\$ 1,699,959</u>	<u>\$ 12,745,696</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 109,515	\$ 366,628	\$ 3,088	\$ 5,188	\$ 484,419
Other liabilities	25,000	26,825	12,286	-	64,111
Refundable deposits	2,158,862	-	-	3,485	2,162,347
Total Liabilities	<u>2,293,377</u>	<u>393,453</u>	<u>15,374</u>	<u>8,673</u>	<u>2,710,877</u>
FUND BALANCES					
Restricted	-	-	-	1,691,286	1,691,286
Committed	360,000	65,681	868,888	-	1,294,569
Unassigned	7,048,964	-	-	-	7,048,964
Total Fund Balances	<u>7,408,964</u>	<u>65,681</u>	<u>868,888</u>	<u>1,691,286</u>	<u>10,034,819</u>
Total Liabilities and Fund Balances	<u>\$ 9,702,341</u>	<u>\$ 459,134</u>	<u>\$ 884,262</u>	<u>\$ 1,699,959</u>	<u>\$ 12,745,696</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LOS ALTOS HILLS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION JUNE 30, 2015

Fund Balances of Governmental Funds	\$ 10,034,819
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	21,392,622
The Internal Service Fund is used by the Town to charge the cost of Town Hall, office, and corporate yard services. The assets and liabilities of the Internal Service Fund are included in the Governmental Activities in the Statement of Net Position.	5,300,364
The liabilities below are not due and payable in the current period and therefore are not reported in the governmental funds:	
Compensated absences	(91,287)
Long-term debt	(81,360)
Net pension liability	(1,923,052)
Deferred outflows related to pension liabilities	215,675
Deferred inflows related to pension liabilities	<u>(746,486)</u>
Net Position of Governmental Activities	<u>\$ 34,101,295</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LOS ALTOS HILLS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General	Street Capital Projects	Other Capital Projects	Nonmajor Governmental Funds	Total
REVENUES					
Property taxes	\$ 4,606,184	\$ -	\$ -	\$ -	\$ 4,606,184
Taxes other than property	645,836	-	-	-	645,836
Franchise fees	513,997	-	-	-	513,997
Licenses and permits	1,407,564	-	-	77,830	1,485,394
Intergovernmental	41,513	83,704	23,134	249,119	397,470
Use of money and property	250,774	-	39,575	5,098	295,447
Charges for services	1,303,144	40,444	-	514,632	1,858,220
Miscellaneous	76,129	-	71,777	27,474	175,380
Total revenues	8,845,141	124,148	134,486	874,153	9,977,928
EXPENDITURES					
Current:					
Administration	447,843	-	-	-	447,843
Public safety	1,138,511	-	-	67,402	1,205,913
Community development	2,557,545	-	-	-	2,557,545
Parks and recreation	615,851	-	-	429,093	1,044,944
Drainage and street operations	-	-	-	645,804	645,804
Debt service					
Principal	-	-	-	16,212	16,212
Interest	-	-	-	3,372	3,372
Capital outlay	-	1,522,845	242,962	-	1,765,807
Total expenditures	4,759,750	1,522,845	242,962	1,161,883	7,687,440
Excess (Deficiency) of Revenues Over Expenditures	4,085,391	(1,398,697)	(108,476)	(287,730)	2,290,488
OTHER FINANCING SOURCES (USES)					
Transfers in	3,000	1,398,696	523,987	865,272	2,790,955
Transfers out	(2,384,589)	-	-	(406,366)	(2,790,955)
Total Other Financing Sources (Uses)	(2,381,589)	1,398,696	523,987	458,906	-
Net Change in Fund Balances	1,703,802	(1)	415,511	171,176	2,290,488
Fund Balances, Beginning of Year	5,705,162	65,682	453,377	1,520,110	7,744,331
Fund Balances, End of Year	\$ 7,408,964	\$ 65,681	\$ 868,888	\$ 1,691,286	\$ 10,034,819

The accompanying notes are an integral part of these financial statements.

TOWN OF LOS ALTOS HILLS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 2,290,488

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures but in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized	1,765,806
Depreciation expense charged to governmental activities	(1,770,907)

Governmental funds report repayment of debt principal as expenditure, but the repayment reduces long-term liabilities in the Government-wide Statement of Net Position.	16,212
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Change in Compensated Absences	10,615
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Governmental funds do not report accrued interest expense on long-term debt, but is reported in the Statement of Activities.

Interest accrual at June 30, 2014	67
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Governmental funds do not report the change in net pension liability	12,042
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Internal Service Funds are used by management to charge the costs of certain activities, such as cost of Town Hall, office, and corporate yard services to individual funds. The portion of the net revenue (expense) of these Internal Service Funds, arising out of their transactions with Governmental Funds, is reported with governmental activities, because they service those activities.

Change in Net Position of Governmental Activities	62,415
	<u>\$ 2,386,738</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LOS ALTOS HILLS

STATEMENT OF FUND NET POSITION PROPRIETARY FUNDS JUNE 30, 2015

	Business-type Activities Enterprise Fund Sewer	Governmental Activities Internal Service Fund
ASSETS		
Current Assets:		
Cash and investments	\$ 3,748,154	\$ 784,339
Accounts receivable	102,476	-
Net OPEB Asset	-	519,964
Total Current Assets	3,850,630	1,304,303
Noncurrent Assets:		
Capital assets, net of accumulated depreciation	5,022,034	4,058,947
Total Assets	8,872,664	5,363,250
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	9,475	-
LIABILITIES		
Current Liabilities:		
Accounts payable	880,910	54,242
Other liabilities	84,725	-
Compensated absences due within one year	19	-
Total Current Liabilities	965,654	54,242
Noncurrent liabilities:		
Compensated absence payable	3,032	8,644
Net pension liability	84,488	-
Total noncurrent liabilities	87,520	8,644
Total Liabilities	1,053,174	62,886
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	32,796	-
NET POSITION		
Investment in Capital Assets	5,022,034	4,058,947
Unrestricted	2,774,135	1,241,417
Total Net Position	\$ 7,796,169	\$ 5,300,364

The accompanying notes are an integral part of these financial statements.

TOWN OF LOS ALTOS HILLS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-type Activities Enterprise Fund Sewer	Governmental Activities Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 1,392,029	\$ -
Other income	-	3,575
Town Hall services	-	474,358
Corporate yard services	-	98,100
Vehicle services	-	89,081
Total Operating Revenues	1,392,029	665,114
OPERATING EXPENSES		
Salaries and benefits	143,547	41,281
Contract services	1,171,876	100,526
Operating expenses	101,063	284,597
Depreciation	175,257	176,295
Total Operating Expenses	1,591,743	602,699
Operating Income (Loss)	(199,714)	62,415
NONOPERATING REVENUE (EXPENSES)		
Interest income	19,533	-
Income (Loss) Before Contributions and Transfers	(180,181)	62,415
Contributions - Connection Fees	234,339	-
Changes in Net Position	54,158	62,415
Total Net Position, Beginning of Year	7,850,349	5,237,949
Prior period adjustment	(108,338)	-
Total net position - beginning, as restated	7,742,011	5,237,949
Total Net Position, End of Year	\$ 7,796,169	\$ 5,300,364

The accompanying notes are an integral part of these financial statements.

TOWN OF LOS ALTOS HILLS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities Enterprise Fund Sewer	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,411,946	\$ 665,114
Payments to suppliers	(1,498,815)	(498,192)
Payments to employees	(143,974)	(119,672)
Net Cash Provided (Used) by Operating Activities	(230,843)	47,250
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(422,371)	-
Proceeds from connection fees	234,339	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(188,032)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	19,533	-
Net Increase (Decrease) in Cash and Investments	(399,342)	47,250
Cash and Cash Equivalents, Beginning of Year	4,147,496	737,089
Cash and Cash Equivalents, End of Year	\$ 3,748,154	\$ 784,339
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (199,714)	\$ 62,415
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	175,257	176,295
decrease in accounts receivable and prepaid expense	19,917	-
decrease in OPEB assets	-	(80,375)
(decrease) in accounts payable	(225,774)	(111,085)
(Increase) in net pension liabilities and related deferred inflows/outflows of resources	(529)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (230,843)	\$ 47,250

The accompanying notes are an integral part of these financial statements.

TOWN OF LOS ALTOS HILLS

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND – WEST LOYOLA SPECIAL ASSESSMENT

JUNE 30, 2015

	<u>Agency Fund</u>
ASSETS	
Restricted Cash and Investments	\$ 308,880
Miscellaneous Receivables	597
Total Assets	<u>\$ 309,477</u>
LIABILITIES	
Due to bondholders	<u>\$ 309,477</u>
Total Liabilities	<u>\$ 309,477</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The Town of Los Altos Hills (the Town) was incorporated in 1956, under the provisions of the State of California. As of June 30, 2015, the Town's population was 8,334. The Town operates under a Council-Manager form of government and provides the following services: management, planning, code enforcement, engineering, building inspection, maintenance of public infrastructure, recreation, law enforcement and sewer service.

For financial reporting purposes, the Town's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the Town Council. There are no component units. The financial statements may be obtained by writing to the Town of Los Altos Hills, Administrative Services Department, 26379 Fremont Road, Los Altos Hills, California 94022.

B. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Town. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include 1) fees, fines, and charges paid by the recipients of goods and services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34 in regards to interfund activities, payable and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities. These are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, Internal Service Fund transactions have been eliminated. However, the transactions between governmental and business-type activities, which are presented as transfers, have not been eliminated from the Statement of Activities.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as non-major funds.

Proprietary funds distinguish operating revenues and expenses and non-operating items. Operating revenues and expenses result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the Town's enterprise and internal service fund are charges for customer services including: sewer service fees, equipment maintenance and usage fees, and support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation of capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the town's policy to use restricted resources first, then unrestricted resources as they are needed.

The Town reports the following major governmental funds:

- The *General Fund* is used to account for all general revenues of the Town not specifically levied or collected for the other Town funds and the related expenditures. The General Fund accounts for all financial resources of the Town that are not accounted for in another fund. For the Town, the General Fund includes such activities as the general government, public works, public safety, parks and recreation, and community development.
- The *Street Capital Projects Fund* is used to account for the acquisition and construction of streets.
- The *Other Capital Project Fund* is used to account for financial resources that are necessary for the acquisition or construction of major capital facilities.

The Town reports the following major enterprise fund:

- The *Sewer Fund* is used to account for the maintenance of the Town's sewer lines and related facilities. It is a self-supporting activity that provides services on a user charge basis to residences and businesses.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Town reports the following additional fund types:

- The *Internal Service Fund* is used to account for the maintenance and replacement of vehicles and equipment; the operation, maintenance, and replacement of office equipment used by the Town's departments; costs incurred for printing/reproduction services and mailing services for all of the Town's departments; and the charges against each department for its share of the costs of operations for the Finance Department.
- The *Agency Fund* is used to account for assets held by the Town in the capacity of agent for a special assessment district. The Town's Agency Fund includes West Loyola Sewer Assessment District #1.
- The *Special Revenue Funds* are used to account for specific revenues that are legally restricted to expenditures for particular purposes.
- The *Debt Service Fund* is used to account for principal and interest payments on long-term obligations.

Fund Balance Classification

Fund balance is classified in accordance with current governmental accounting standards, which requires classification of fund balances into five different components, where applicable. The components are nonspendable, restricted, committed, assigned and unassigned.

- Nonspendable resources are not in spendable form or required to be maintained intact such as an endowment.
- Restricted resources are subject to externally enforceable legal restrictions or imposed by law through constitutional provisions or enabling legislation.
- Committed resources are constrained to specific purposes by a formal action of the City Council such as an ordinance or resolution, which are considered equally binding. The constraint remains binding unless removed in the same formal manner by the City Council. Council action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.
- Assigned resources are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The City Council, by action, has the authority to assign amounts to be used for specific purposes. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.
- Unassigned fund balance is the residual classification and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the Town's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available the Town's policy is to first apply committed fund balance. It is at the discretion of the Council's designee to then apply the remaining expenditures to assigned or unassigned fund balance.

C. Measurement Focus, Basis of Accounting

The government-wide and proprietary financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time that liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property and sales tax, grants, entitlements, franchise fees and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales tax, interest, certain state, and federal grants, and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental fund. Proceeds of long-term debt and capital leases are reported as other financing sources.

Fiduciary funds are custodial in nature (i.e. assets equal liabilities) and do not involve the measurement of the results of operations. The Town has one Fiduciary fund for the West Loyola Sewer Assessment District.

D. Internal Investment Pool

The Town maintains an internal investment pool that is available for use by all funds. Investments in non-participating interest earnings contracts are reported at cost, and all other investments at fair value. Fair value is determined annually and is based on current market prices. The method of allocating interest earned on pooled deposits and investments among funds is based on average cash balances.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town considers all highly liquid investments with maturity of three month or less when purchased to be cash equivalents.

F. Receivables

During the course of normal operations, the Town carried various receivable balances for franchise fees, interest, license fees, and sewer fees. Accounts receivable are shown at \$264,815 in the General Fund, \$2,579 in the Street Capital Projects, \$8,333 in Nonmajor Governmental Funds, and \$102,476 in the Sewer Fund.

G. Capital Assets

Capital assets, including infrastructure acquired prior to GASB 34, are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated market value on the date of contribution. Capital assets include public domain (infrastructure) general capital assets consisting of certain improvements including roads, bridges, water/sewer, lighting systems, drainage systems, and flood control. The Town defines capital assets as assets with an estimated useful life in excess of three year and an initial, individual cost of \$15,000.

Capital assets used in the operation are depreciated using the straight-line method over their estimated useful lives in the government-wide statement and proprietary funds.

The estimated useful lives are as follows:

Infrastructure	20 - 50 years
Structures and Improvements	10 - 30 years
Vehicles	5 - 10 years
Equipment	3 - 10 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

H. Property Taxes

Revenue is recognized in the fiscal year for which the tax and assessment are levied. The County of Santa Clara levies, bills, and collects property taxes for the Town. Under the Teeter Bill, the County remits the entire amount levied and handles the delinquencies, retaining interest and penalties.

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10, and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Accumulated Compensated Absences

The Town accrues the cost for compensated absences (vacation and comp time) when they are earned. Employees have a vested interest in accrued vacation time and all vacation hours will eventually either be used or paid by the Town. Generally, employees earn and use their current vacation hours with a small portion being accrued or unused each year. As this occurs, the Town incurs an obligation to pay for these unused hours. Sick leave benefits do not vest and no liability is recorded. All compensated absences for governmental activities are paid out of the general fund.

J. Interfund Transactions

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at market, or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers within governmental and proprietary funds are netted as part of the reconciliation to the government-wide presentation.

K. Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Changes in Accounting Principles

GASB Statement No. 68

In June, 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. The provisions of Statement 68 are effective for financial statements for periods beginning after June 15, 2014, with earlier application encouraged. The Town has implemented this standard as of July 1, 2014.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 69

In January, 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of Statement 69 are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis, with earlier application encouraged. The Town has implemented this standard with no significant impact on the financial statements.

GASB Statement No. 71

In November, 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The Town has implemented this standard as of July 1, 2014.

N. New Accounting Pronouncements

Upcoming

GASB Statement No. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement generally requires investments to be measured at fair value, and establishes a hierarchy of inputs to valuation techniques used to measure fair value. The Statement also requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Town has not yet determined its effect on the financial statements.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 73

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Town has not yet determined its effect on the financial statements.

GASB Statement No. 74

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The Town has not yet determined its effect on the financial statements.

GASB Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement is effective for fiscal years beginning after June 15, 2017. The Town has not yet determined its effect on the financial statements.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 76

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Town has not yet determined its effect on the financial statements.

GASB Statement No. 77

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. This statement is effective for reporting periods beginning after December 15, 2015. The Town has not determined its effect on the financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

Cash and Investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Cash on hand	\$	900
Deposits with financial institutions		7,318,674
Cash and investment with fiscal agent		188,601
Investments		9,803,167
Total Cash and Investments	\$	<u>17,311,342</u>

Cash and investment as of June 30, 2015, consist of the following:

Statement of Net Position:		
Cash and investments	\$	17,002,462
Fiduciary funds:		
Cash and investments		308,880
Total Deposits and Investments	\$	<u>17,311,342</u>

Policies and Practices

The Town is authorized under *California Government Code* and the Town's investment policy to make direct investments as listed under the General Authorizations investment table below.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The Town shall not engage in leveraged investing, such as in margin accounts or any form of borrowing for the purpose of investment. The Town also shall not invest in instruments whose principal and interest have no backing, such as options and future contracts, nor in derivatives, outside of authorized pools.

The Town's investments were in compliance with the above provisions as of and for the year ended June 30, 2015.

General Authorizations

The table below identifies the investment types that are authorized for the Town of Los Altos Hills by the *California Government Code* and are further limited by the Town's investment policy. Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	30%	30%
U.S. Treasury Bills	5 years	None	None
U.S. Treasury Notes	5 years	None	None
U.S. Agency Securities	5 years	None	None
Certificates of Deposit	180 days	30%	30%
Money Market Mutual Funds	5 years	15%	10%
Local Agency Investment Fund (LAIF)	5 years	None	None
Passbook Savings and Demand Deposits	5 years	30%	30%
California Asset Management Program (CAMP)	5 years	None	None
Mortgage-backed obligations with AAA or higher rating	5 years	20%	20%
Medium-term corporate notes with AA or better rating	5 years	20%	20%

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town manages its exposure to interest rate risk by purchasing only shorter term investments as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2015, the Town had the following investments.

Investment Type	Fair Value	12 Months or Less	13 to 24 Months	25 - 60 Months	More than 60 Months
U.S. Treasury Bonds/Notes	\$ 6,534,285	\$ 1,885,459	\$ 2,139,280	\$ 2,509,546	\$ -
Corporate Notes	1,691,435	-	951,725	739,710	-
U.S. Agency Notes	1,087,805	-	532,906	554,899	-
Federal Agency Collateralized Mortgage Obligation	245,452	-	-	245,452	-
Bank Note	201,379	201,379	-	-	-
LAIF Investment Pool	19,408	19,408	-	-	-
CAMP Investment Pool	23,403	23,403	-	-	-
Money Market	188,602	188,602	-	-	-
Total Investments	<u>\$ 9,991,769</u>	<u>\$ 2,318,251</u>	<u>\$ 3,623,911</u>	<u>\$ 4,049,607</u>	<u>\$ -</u>

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The state investment pool is not rated.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End					Unrated
			AAA	AA	A	BBB	BBB-	
U.S. Treasury Notes	6,534,285	N/A	\$ -	\$ 6,534,285	\$ -	\$ -	\$ -	\$ -
Federal Agency Collateralized								
Mortgage Obligation	245,452	N/A	-	245,452	-	-	-	-
U.S. Agency Notes	1,087,805	N/A	-	1,087,805	-	-	-	-
Corporate Notes	1,691,435	A	315,815	234,759	400,271	490,990	249,600	-
Bank Note	201,379	A	-	-	-	201,379	-	-
LAIF Investment Pool	19,408	N/A	-	-	-	-	-	19,408
CAMP Investment Pool	23,403	N/A	23,403	-	-	-	-	-
Money Market	188,602	N/A	188,602	-	-	-	-	-
Total	<u>\$ 9,991,769</u>		<u>\$ 527,820</u>	<u>\$ 8,102,301</u>	<u>\$ 400,271</u>	<u>\$ 692,369</u>	<u>\$ 249,600</u>	<u>\$ 19,408</u>

Concentration of Credit Risk

The investment policy of the Town contains limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the *California Government Code*. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represent five percent or more of the total investments.

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy, as well as the *California Government Code*, requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the Town's bank balance of \$7,849,596, with a reported balance of \$7,318,674, is insured for the first \$297,429 and the balance is collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the Town.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The *California Government Code* does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. However, the Town's policy states that all security transactions entered into by the Town of Los Altos Hills shall be conducted on delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian, in the Town of Los Altos Hills' name and control, designated by the Town Manager or her/his designee and evidenced by safekeeping receipts when applicable. Additionally, collateralization will be required on certificates of deposit at 102 percent of market value of principal and interest.

Investment in the State Investment Pool - The Town is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by *California Government Code* Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Town's investment in the pool is reported in the accompanying financial statement at amounts based upon the Town's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

NOTE 3 – INTERFUND TRANSACTIONS

The following schedule briefly summarizes the Town's transfer activity for the fiscal year ended June 30, 2015:

Transfers In	Transfers Out				Total
	General Fund	Non-Major			
		Storm Drain Fund	Pathway In-Lieu Fee Fund	Donations Fund	
General Fund	\$ -	\$ -	\$ -	\$ 3,000	\$ 3,000
Street Capital Project Fund	1,398,696	-	-	-	1,398,696
Other Capital Project Fund	120,621	262,280	141,086	-	523,987
Governmental Non-Major Funds	865,272	-	-	-	865,272
Total	\$ 2,384,589	\$ 262,280	\$ 141,086	\$ 3,000	\$ 2,790,955

The Town's annual inter-fund transfers provide for operating, capital, and debt service activities to funds without sufficient revenue sources to provide for the expenditures included in the City Council approved budget. Capital improvements and operations accounted for 69 percent and 31 percent, respectively, of the total annual transfers in 2014-2015.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 250,535	\$ -	\$ -	\$ 250,535
Total capital assets not being depreciated	<u>250,535</u>	<u>-</u>	<u>-</u>	<u>250,535</u>
Capital assets being depreciated:				
Infrastructure	76,761,331	1,765,806	-	78,527,137
Buildings	5,152,825	-	-	5,152,825
Vehicles	523,882	-	-	523,882
Office equipment	444,411	-	-	444,411
Total capital assets being depreciated	<u>82,882,449</u>	<u>1,765,806</u>	<u>-</u>	<u>84,648,255</u>
Less accumulated depreciation for:				
Infrastructure	(55,474,143)	(1,770,907)	-	(57,245,050)
Buildings	(1,249,376)	(130,638)	-	(1,380,014)
Vehicles	(369,200)	(27,695)	-	(396,895)
Office equipment	(407,300)	(17,962)	-	(425,262)
Total accumulated depreciation	<u>(57,500,019)</u>	<u>(1,947,202)</u>	<u>-</u>	<u>(59,447,221)</u>
Total capital assets being depreciated, net	<u>25,382,430</u>	<u>(181,396)</u>	<u>-</u>	<u>25,201,034</u>
Governmental activities capital assets, net	<u>\$ 25,632,965</u>	<u>\$ (181,396)</u>	<u>\$ -</u>	<u>\$ 25,451,569</u>
Business-type activities				
Capital assets being depreciated:				
Sewer collection system	\$ 7,010,295	\$ 422,371	\$ -	\$ 7,432,666
Office equipment	1,509	-	-	1,509
Total capital assets being depreciated	<u>7,011,804</u>	<u>422,371</u>	<u>-</u>	<u>7,434,175</u>
Less accumulated depreciation for:				
Sewer collection system	(2,235,375)	(175,257)	-	(2,410,632)
Office equipment	(1,509)	-	-	(1,509)
Total accumulated depreciation	<u>(2,236,884)</u>	<u>(175,257)</u>	<u>-</u>	<u>(2,412,141)</u>
Total capital assets being depreciated, net	<u>4,774,920</u>	<u>247,114</u>	<u>-</u>	<u>5,022,034</u>
Business-type activities capital assets, net	<u>\$ 4,774,920</u>	<u>\$ 247,114</u>	<u>\$ -</u>	<u>\$ 5,022,034</u>

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Administration	\$	134,375
Public safety		361,834
Community development		767,390
Parks and recreation		313,535
Drainage and street operations		193,773
Capital assets held by the Town's Internal Service Fund charged to the various functions based on their usage of the assets		<u>176,295</u>
Total depreciation - governmental activities	\$	<u>1,947,202</u>

Depreciation expense was charged to proprietary functions as follows:

Sewer Fund	\$	<u>175,257</u>
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NOTE 5 – LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Additions	Retirement	Balance June 30, 2015	Current portion	Interest rate
Governmental activities:						
California Energy Commission Loans	\$ 97,572	\$ -	\$ (16,212)	\$ 81,360	\$ 16,820	3.00-3.95%
Subtotals	97,572	-	(16,212)	81,360	16,820	
Compensated Absences	108,561	19,994	(28,624)	99,931	12,496	N/A
Governmental activity long-term liabilities	<u>206,133</u>	<u>19,994</u>	<u>(44,836)</u>	<u>181,291</u>	<u>29,316</u>	
Business-type activities:						
Compensated Absences	2,949	111	(9)	3,051	19	N/A
Total Governmental and Business-type activity long-term liabilities	<u>\$ 209,082</u>	<u>\$ 20,105</u>	<u>\$ (44,845)</u>	<u>\$ 184,342</u>	<u>\$ 29,335</u>	

On February 18, 2004 and July 15, 2010, the town entered into loan agreements with the State Energy Conservation Assistance to provide financing for the Town Hall to implement energy efficiency measures. Payments will be financed by transfers from the General Fund.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30,

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

Loan repayment schedule is as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 16,820	\$ 2,764	\$ 19,584
2017	17,466	2,118	19,584
2018	18,130	1,454	19,584
2019	11,144	765	11,909
2020	3,726	508	4,234
2021-2025	14,074	864	14,938
Total	<u>\$ 81,360</u>	<u>\$ 8,473</u>	<u>\$ 89,833</u>

NOTE 6 – SPECIAL ASSESSMENT DEBT WITHOUT TOWN COMMITMENT

Special assessment districts are established in various parts of the Town to provide improvements to properties located in those districts. Properties are assessed for the cost of the improvements. These assessments are payable solely by the property owners over the term of the debt issued to finance the improvements. The Town acts solely as the collecting and paying agent for the District's debt which is not included in the general debt of the Town. The bonds are not general obligation of the Town. The Town is not legally obligated to pay these debts or be the purchaser of last resort of foreclosed properties in the special assessment district.

At June 30, 2015, the balance of the assessment district's outstanding debt was as follows:

Issue	Fiscal Year Issued	Interest Rate	Principal Maturities		Outstanding 6/30/2015
			Annual Amount	Fiscal Years Ended	
West Loyola Sewer Assessment District No. 1	2009	2.25%-6.15%	\$35,000 - \$775,000	2010 - 2040	<u>\$ 1,835,000</u>

NOTE 7 – NET POSITION/FUND BALANCES

A. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – This category presents all capital assets, including infrastructure, into one component of net position. Accumulated depreciation reduces the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, or restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2015, restricted net position consisted of \$338,757 for street projects, \$153,387 for public safety grants, \$1,065,139 for other capital projects, and \$24,474 for other special revenue funds.

Unrestricted Net Position – This category presents net position of the Town not restricted for any project or other purpose.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30,

NOTE 7 – NET POSITION/FUND BALANCES (CONTINUED)

There is \$1,294,569 in unrestricted net position that is committed to fund the various future liabilities and projects.

B. Fund Balances - Components

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables less its liabilities. Portions of a fund's balance may be non-spendable, restricted, committed, assigned or unassigned. As stated below, the only fund with positive unassigned fund balance is the General Fund.

	<u>General Fund</u>	<u>Street Capital Project</u>	<u>Other Capital Project</u>	<u>Non-major</u>	<u>Total</u>
Restricted for:					
Other capital projects	\$ -	\$ -	\$ -	\$ 1,065,139	\$ 1,065,139
Street and road repairs	-	-	-	338,757	338,757
Law enforcement	-	-	-	153,387	153,387
Other special revenue funds	-	-	-	24,474	24,474
Committed for:					
Pension contributions	350,000	-	-	-	350,000
IT Equipment Replacement Reserve	10,000	-	-	-	10,000
Other capital projects	-	-	868,888	-	868,888
Street and road repairs	-	65,681	-	-	65,681
Unassigned	<u>7,048,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,048,964</u>
	<u>\$ 7,408,964</u>	<u>\$ 65,681</u>	<u>\$ 868,888</u>	<u>\$ 1,581,757</u>	<u>\$ 9,925,290</u>

NOTE 8 – PENSION PLAN

The Town participates in the following Pension Plan administered by the California Public Employees Retirement System (CalPERS):

- *Cost-Sharing Multiple-Employer Defined Benefit Pension Plan* (Cost Sharing) for its Miscellaneous employees. A cost-sharing multiple-employer defined benefit pension plan is a plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay benefits of the employees of any employer that provides pensions through the plan.

General Information about the Pension Plans

Plan Descriptions - All qualified permanent employees are eligible to participate in the Town's Miscellaneous cost-sharing Plan administered by the CalPERS. Benefit provisions under the Plan are established by State statute and Town resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information can be found on the CalPERS website at: <http://www.calpers.ca.gov/index.jsp?bc=/about/forms-pubs/calpers-reports/actuarial-reports/home.xml>.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30,

NOTE 8 – PENSION PLAN, (CONTINUED)

The Town's Miscellaneous Plan is a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS since the plan has less than 100 active members, commonly referred to as risk pool. The Town has three retirement benefit tiers in the cost sharing Miscellaneous Plans. Tier I is for employees hired prior to September 1, 2011. Tier II is for employees hired on or after September 1, 2011 and classified as a classic member with CalPERS. Tier III is for employees hired on or after January 1, 2013 who were not classic members in CalPERS within the last six years.

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and their beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment, age and the average of the final 3 years' compensation. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous		
	Tier I	Tier II	Tier III
Hire Date	Prior to September 1, 2011	Starting September 1, 2011	Starting January 1, 2013
Formula	2.0% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	52-67	52-67
Monthly benefits, as a % of annual salary	2.0% to 2.7%	1.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.00%	8.00%	6.50%
Required employer contribution rates	11.84%	8.72%	6.70%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. For the year ended June 30, 2015, the employer contribution was \$118,280.

In addition, the Town implemented a multi-year plan that eliminates the employee pension share cost for Tier I employees, currently paid by the Town. The Tier I employee pension contribution paid by the Town was reduced from 6% to 5% in 2014-2015. The Town's Ad Hoc committee may recommend to further reduce this benefit as part of a budget recommendation to the Town Council. Tier II and Tier III employees are not eligible for this benefit.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 8 – PENSION PLAN (CONTINUED)

Net Pension Liability

As of June 30, 2015, the Town's reported net pension liabilities for its proportionate shares of the net pension liability of each Miscellaneous Plan as follows:

	Miscellaneous			Total
	Tier I	Tier II	Tier III	
Proportionate Share of Net Pension Liability	\$ 1,998,430	\$ 9,101	\$ 9	\$ 2,007,540

The Town's net pension liability for each Miscellaneous Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014 and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions of all participating employers, actuarially determined. The Town's proportionate share of the net pension liability for each Miscellaneous Plan as of June 30, 2013 and 2014 is as follows:

Proportion - June 30, 2013	0.03403%
Proportion - June 30, 2014	0.03226%
Change - Increase (Decrease)	<u>-0.00177%</u>

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension

For the year ended June 30, 2015, the Town's recognized pension expense of \$168,709 for the Miscellaneous Plans. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for Miscellaneous Plans:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 181,280	
Net differences between projected and actual earnings on plan investments		\$ (707,946)
Adjustment due to differences in proportion	43,870	(71,336)
Total	<u>\$ 225,150</u>	<u>\$ (779,282)</u>

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 8 – PENSION PLAN (CONTINUED)

The \$181,280 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year ended June 30</u>	
2016	\$ (182,601)
2017	(182,601)
2018	(183,437)
2019	<u>(186,774)</u>
	<u>\$ (735,412)</u>

Actuarial Assumptions – The total pension liabilities in June 30, 2013 actuarial valuations were determined using the following actuarial assumptions for Miscellaneous Plans:

	<u>Miscellaneous (All Plans)</u>
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.5% ⁽²⁾
Mortality	Derived using CalPERS membership for data for all funds

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

The mortality table used for Miscellaneous Plans was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation for Miscellaneous Plans were based on the results of a January 2014 actuarial experience study for the period of 1997 to 2011. Further detail of the Experience Study can be found on the CalPERS website.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 8 – PENSION PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability was 7.50 percent for Miscellaneous Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. The difference was deemed immaterial to the agent multiple-employer and cost-sharing multiple-employer Plans checked by CalPERS.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 8 – PENSION PLAN (CONTINUED)

The table below reflects long-term expected real rate of return by asset class for Miscellaneous Plans. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Target Allocation	Real Return Years 1-10 ^(a)	Long-Term Expected Real Rate of Return ^(b)
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability for Miscellaneous Plans to changes in the Discount rate –

The following presents the net pension liability of the Town's proportionate share of the net pension liability for Miscellaneous Tiers, calculated using the discount rate as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower or 1- percentage point higher than the current rate:

	Miscellaneous			
	Tier I	Tier II	Tier III	Totals
1% Decrease	6.50%	6.50%	6.50%	
Net Pension Liability	\$ 3,560,583	\$ 16,215	\$ 15	\$ 3,576,813
Current Discount Rate	7.50%	7.50%	7.50%	
Net Pension Liability	\$ 1,998,430	\$ 9,101	\$ 9	\$ 2,007,540
1% Increase	8.50%	8.50%	8.50%	
Net Pension Liability	\$ 701,990	\$ 3,197	\$ 3	\$ 705,190

Changes in the Net Pension Liability

Detailed information about each pension plans' fiduciary net position is available in the separately issued CalPERS financial reports.

Social Security – The Omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employer's existing system as if January 1, 1992 be covered by either Social Security or an alternative plan. Part-time seasonal and temporary employees are covered under Social Security, which requires these employees and the Town to each contribute 6.2 percent of the employer's pay.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 9 – RISK MANAGEMENT

A. Risk Pool

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town participates in the Association of Bay Area Governments (ABAG). The ABAG Plan ensures liability and property claims. The Town's general liability claims are insured up to \$5 million per occurrence and \$10 million per year. The Town's property claims are insured for up to \$25 million per year. The Town has a deductible or uninsured liability of up to \$25,000 per claim. Once the Town's deductible is met, ABAG PLAN becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2015, the Town contributed \$91,232 for current year coverage plus settlement payments. Settlement amounts did not exceed insurance coverage for the past three years. The Town's insurance costs will increase/decrease based on its own adverse claims experience and the adverse claims experience of other agencies in the Town's risk pool.

The ABAG Shared Risk Pool (Pool) covers workers' compensation claims up to \$250,000 each and has coverage above that limit to the statutory maximum. The Town has no deductible for these claims. During the fiscal year ended June 30, 2015, the Town contributed \$54,740 for current year coverage.

- Each risk pool is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of each risk pool, including selections of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board. The Town's contribution to each risk pool is generally equal to the ratio of the Town's payroll to the total payrolls of all entities participating in the same layer of each program further adjusted for adverse claims experience, in each program year.
- Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. Financial statements for each agency can be obtained from ABAG, P.O. Box 2050, Oakland, California, 94604.

B. Liability for Uninsured Claims

- The Town has retained the risk for the deductible and uninsured portion of claims. The Town's liability for reported uninsured claims at June 30, 2015, estimated by ABAG was \$25,500.

NOTE 10 – CONTINGENT LIABILITIES

The Town is subject to litigation arising in the normal course of business. In the opinion of the Town Attorney, there is no pending litigation that is likely to have a material adverse effect on the financial position of the Town.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The Town's agent multiple-employer defined benefit Other Postemployment Benefit (OPEB) Plan provides postretirement healthcare benefits to eligible employees who retire directly from the Town. The Town pays healthcare coverage up to a cap (dependent of coverage) for eligible retirees. Healthcare coverage is with PEMHCA (CalPERS medical program). Dental and vision benefits are not available to retirees. In fiscal year 2007-2008, the Town of Los Altos Hills elected to prefund its OPEB liabilities in an irrevocable trust established through California Public Employees Retirement System. The Prefunding Plan (sometimes also referred to as CERBT) is an agent multiple-employer benefit trust fund which is administered by the CalPERS Board of Administration. The trust will be used to accumulate and invest assets necessary to pay for healthcare costs and administrative costs of the Prefunding Plan.

Copies of the Fund's annual financial report may be obtained from the CalPERS' executive office: 400 P Street, Sacramento, California, 95814.

B. Funding Policy

Annual required contributions (ARC) are based upon actuarial valuations. The contribution requirements of the ARC are established and may be amended by the Town Council. Plan members do not make contributions to the plan.

C. Annual Postemployment Benefit Cost and Net Postemployment Benefit Obligation

The Town's annual OPEB cost (expense) is calculated based upon the ARC, an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years.

Based upon the valuation dated June 30, 2013, the 2014-2015 required contribution was \$118,000. The components of annual OPEB cost for the current fiscal year, amount actually contributed, and the changes in net post employment benefit obligation are shown in the following table.

	June 30, 2015
Normal Cost at Year End	\$ 40,000
Amortization of UAAL	78,000
Annual Required Contribution	118,000
Interest on Prior Year Net OPEB Asset	(26,375)
Adjustment to ARC	45,000
Annual OPEB Cost	136,625
Contributions Made	(217,000)
(Increase) Decrease in Net OPEB Asset	(80,375)
Net OPEB Obligation (Asset)- Beginning of Year	(439,589)
Net OPEB Obligation (Asset)- End of Year	<u>\$ (519,964)</u>

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

D. Plan Funded Status and Funding Progress

The Town is following the reporting requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans*. As of June 30, 2013, the latest valuation date, the funded status of the Town, was as follows:

Actuarial accrued liability (AAL)	\$	2,229,000
Actuarial value of plan assets		1,213,000
Unfunded actuarial accrued liability (UAAL)		1,016,000
Funded ratio (actuarial value of plan assets/AAL)		54.4%
Covered payroll for fiscal year ended June 30, 2015 (active plan members)		1,693,000
UAAL as percentage of covered payroll		60.0%

The Town's annual OPEB cost (expense), the percentage of OPEB cost contributed to the plan, and the Net OPEB asset for 2015 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2013	\$ 224,879	133%	\$ (326,466)
June 30, 2014	100,877	212%	(439,589)
June 30, 2015	136,625	159%	(519,964)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members), and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and the plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

In the June 30, 2013 actuarial valuation, the entry age normal actuarial cost method was used with a level percentage of pay amortization method. The actuarial value of asset gains/losses is recognized over five years, with a corridor of 80 percent and 120 percent of market value. The unfunded liability amortization is based off a 20-year fixed (closed) period for plan changes, a 15-year fixed (closed) period for method and assumption changes. The actuarial assumptions are as follows:

- The CPI was assumed to be a constant at 3 percent per year.
- Investment rate of return is assumed to be 6 percent, which is same as in the prior valuation. Assets in the plan will be invested in a moderately conservative money market portfolio that will provide current income with capital appreciation as a secondary objective.
- Aggregate payroll increase is assumed to be 3.25 percent per year.
- Healthcare costs trends utilized actual rates for 2013 and 2014, with an 8 percent increase for Non-Medicare eligible premiums and 8.3 percent increase for Medicare eligible premiums. Future years were reduced to an ultimate rate of five percent, same as prior year, for both Non-Medicare and Medicare eligible premiums by 2021.
- Everyone will be eligible for Medicare and will elect Part B coverage.
- Participation in the Plan is assumed to be 100 percent for average premium cap benefits with 70 percent PEMHCA minimum.
- Retirees will choose same medical plan as active employees.
- Marital Status is the same as current election with 80 percent married currently waived.
- 10 percent of the Pre-65 and zero percent of post-65 members were assumed to have dependents.
- No current member of the Town Council was assumed to be eligible for retiree healthcare benefits.

NOTE 12 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Excess of expenditures over appropriations

No individual funds had an excess of expenditures over appropriations during the fiscal year 2014-2015.

B. Deficit fund balances

No individual funds had a deficit fund balance at June 30, 2015.

TOWN OF LOS ALTOS HILLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE #13 - RESTATEMENT

Prior period adjustments were made to decrease the governmental and business activities' beginning net position. These adjustments were made to record beginning net pension liability and deferred outflows of resources as a result of implementing GASB 68 and 71. (See note 8)

The restatements of beginning net positions are summarized as follows:

	Governmental Activities	Enterprise Fund Sewer	Grand Total
Beginning net position	\$ 34,180,462	\$ 7,850,349	\$ 42,030,811
Beginning net pension liability	(2,627,579)	(115,441)	(2,743,020)
Beginning deferred outflow	161,674	7,103	168,777
Beginning net position as restated	<u>\$ 31,714,557</u>	<u>\$ 7,742,011</u>	<u>\$ 39,456,568</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LOS ALTOS HILLS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Property tax	\$ 4,332,700	\$ 4,384,400	\$ 4,606,184	\$ 221,784
Taxes other than property	489,200	522,700	645,836	123,136
Franchise fees	453,400	465,300	513,997	48,697
Licenses and permits	939,150	1,101,950	1,407,564	305,614
Intergovernmental	33,100	33,100	41,513	8,413
Use of money and property	199,100	199,100	250,774	51,674
Charges for services	821,000	1,031,000	1,303,144	272,144
Miscellaneous	90,000	102,700	76,129	(26,571)
Total Revenues	7,357,650	7,840,250	8,845,141	1,004,891
EXPENDITURES				
Current:				
Administration	352,203	490,570	447,843	42,727
Public safety	1,245,985	1,236,607	1,138,511	98,096
Community development	2,917,968	3,000,878	2,557,545	443,333
Parks and recreation	628,488	695,520	615,851	79,669
Total Expenditures	5,144,644	5,423,575	4,759,750	663,825
Excess (Deficiency) of Revenues Over Expenditures	2,213,006	2,416,675	4,085,391	1,668,716
OTHER FINANCING SOURCES (USES)				
Transfers in	-	5,000	3,000	(2,000)
Transfers out	(2,479,631)	(3,004,631)	(2,384,589)	620,042
Total Other Financing Sources (Uses)	(2,479,631)	(2,999,631)	(2,381,589)	618,042
Net Change in Fund Balance	(266,625)	(582,956)	1,703,802	2,286,758
Fund Balance, Beginning of Year	5,705,162	5,705,162	5,705,162	-
Fund Balance, End of Year	\$ 5,438,537	\$ 5,122,206	\$ 7,408,964	\$ 2,286,758

See note to required supplementary information.

TOWN OF LOS ALTOS HILLS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS – OTHER POST EMPLOYMENT BENEFITS

JUNE 30, 2015

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a) (Amounts expressed in thousands)	Actuarial Value of Assets (b) (Amounts expressed in thousands)	Unfunded AAL (UAAL) (a) - (b) (Amounts expressed in thousands)	Funded Ratio (b)/(a)	Annual Covered Payroll (c) (Amounts expressed in thousands)	UAAL As a Percentage of Covered Payroll [(a)-(b)]/(c)
6/30/2009	\$ 1,472	\$ 345	\$ 1,127	23.4%	\$ 1,554	72.5%
6/30/2011	2,624	703	1,921	26.8%	1,512	127.1%
6/30/2013	2,229	1,213	1,016	54.4%	1,640	62.0%

See notes to required supplementary information.

TOWN OF LOS ALTOS HILLS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY JUNE 30, 2015

Miscellaneous Plan Cost-Sharing Multiple-Employer Defined Benefit Pension Plan Last 10 Years ** Schedule of Proportionate Share of the Net Pension Liability

	2015
Plan's proportion of the Net Pension Liability (Asset)	0.03226%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 2,007,540
Plan's Covered-Employee Payroll	\$ 1,722,438
Plan's proportion share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee payroll	112.60%
Plan's proportionate share of the Fiduciary Net Position as a percentage of the Plan's Total Pension Liability	79.82%
Measurement date	June 30, 2014

** Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

TOWN OF LOS ALTOS HILLS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS JUNE 30, 2015

**Miscellaneous Plan
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Last 10 Years **
Schedule of Contributions**

	2015
Actuarially determined contribution	\$ 181,280
Contributions in relation to the actuarially determined contribution	(181,280)
Contributions deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 1,428,233
Contributions as a percentage of covered-employee payroll	12.69%

Notes to Schedule

Valuation date 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal in accordance with the requirements of GASB Statement No. 68
Discount Rate	7.50%
Inflation	2.75%
Salary increases	varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation
Post Retirement benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using scale AA published by the Society of Actuaries.

** Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

TOWN OF LOS ALTOS HILLS

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS JUNE 30, 2015

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

The Town follows these procedures in establishing the budgetary data reflected in the required supplementary information:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are held to obtain taxpayer comments.
3. The budget is legally enacted through passage of a minute order.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that increase total expenditures of any fund must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the fund level without City Council approval.
5. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Amounts presented include amendments approved by the City Council.

NOTE 2 - SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFIT PLAN

This schedule shows the funding progress for the Town's Other Postemployment Benefits whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits as required by current standards. There are no factors that significantly affect the identification of trends in the amount reported. Only years when actuarial valuations were performed are shown. Additional years will be included as subsequent valuations are performed.

NOTE 3 – PENSION LIABILITY AND RELATED CONTRIBUTIONS

These schedules present information that shows the Town's proportionate share of the pension liability in the cost sharing pools, actuarial information, and contributions. The proportionate share information is useful in determining the Town's liability in relation to all other entities in the pool.

SUPPLEMENTARY INFORMATION

TOWN OF LOS ALTOS HILLS

NON MAJOR GOVERNMENTAL FUNDS JUNE 30, 2015

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Storm Drain - This fund is used to account for revenues from drainage fees which are designated for storm drain maintenance, improvement, and construction

Pathway In-Lieu Fee - This fund is used to account for revenues from pathway in-lieu fees which are designated for pathway maintenance, improvement, and construction.

Parks and Recreation In-Lieu Fee - This fund is used to account for revenues from parks and recreation in-lieu fees, which are designated for park maintenance, improvement, and construction.

Street - This fund is used to account for gas tax revenues and fees for street excavation, which are designated for street maintenance, improvement, and construction.

Citizens' Option for Public Safety (COPS) - This fund is used to account for revenues from the Citizens' Option for Public Safety program, which are designated for public safety.

Special Donations Fund - This fund is used to account for donations.

DEBT SERVICE FUND

Debt Service Fund - is used to account for principal and interest payments on long-term obligations.

TOWN OF LOS ALTOS HILLS

COMBINING BALANCE SHEET

NON MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2015

	Special Revenue Funds						Debt Service Fund	Total Nonmajor Governmental
	Storm Drain	Pathway In-Lieu Fee	Parks & Rec In-Lieu Fee	Street	COPS	Special Donations	CA Energy Loans	
ASSETS								
Cash and investments	\$ 426,316	\$ 642,665	\$ 109,529	\$ 342,256	\$ 146,386	\$ 24,474	\$ -	\$ 1,691,626
Accounts receivable	-	-	-	-	8,333	-	-	8,333
Total Assets	<u>\$ 426,316</u>	<u>\$ 642,665</u>	<u>\$ 109,529</u>	<u>\$ 342,256</u>	<u>\$ 154,719</u>	<u>\$ 24,474</u>	<u>\$ -</u>	<u>\$ 1,699,959</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ -	\$ 357		\$ 3,499	\$ 1,332	\$ -	\$ -	\$ 5,188
Other liabilities	-	3,485	-	-	-	-	-	3,485
Total Liabilities	<u>-</u>	<u>3,842</u>	<u>-</u>	<u>3,499</u>	<u>1,332</u>	<u>-</u>	<u>-</u>	<u>8,673</u>
FUND BALANCES								
Restricted	426,316	638,823	109,529	338,757	153,387	24,474	-	1,691,286
Total Fund Balances	<u>426,316</u>	<u>638,823</u>	<u>109,529</u>	<u>338,757</u>	<u>153,387</u>	<u>24,474</u>	<u>-</u>	<u>1,691,286</u>
Total Liabilities and Fund Balances	<u>\$ 426,316</u>	<u>\$ 642,665</u>	<u>\$ 109,529</u>	<u>\$ 342,256</u>	<u>\$ 154,719</u>	<u>\$ 24,474</u>	<u>\$ -</u>	<u>\$ 1,699,959</u>

TOWN OF LOS ALTOS HILLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NON MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds						Debt Service Fund	
	Storm Drain	Pathway In-Lieu Fee	Parks & Rec In-Lieu Fee	Street	COPS	Special Donations	CA Energy Loans	Total Nonmajor Governmental Funds
REVENUES								
License and permits	\$ -	\$ -	\$ -	\$ 77,830	\$ -	\$ -	\$ -	\$ 77,830
Intergovernmental	-	-	-	150,390	98,729	-	-	249,119
Use of money and property	-	3,129	-	1,385	584	-	-	5,098
Charges for services	262,280	141,086	109,964	-	1,302	-	-	514,632
Miscellaneous						27,474		27,474
Total Revenues	262,280	144,215	109,964	229,605	100,615	27,474	-	874,153
EXPENDITURES								
Current:								
Public safety	-	-	-	-	67,402	-	-	67,402
Parks and recreation	-	429,093	-	-	-	-	-	429,093
Drainage and street operations	298,037	-	-	347,767	-	-	-	645,804
Debt Service:								
Principal	-	-	-	-	-	-	16,212	16,212
Interest	-	-	-	-	-	-	3,372	3,372
Total Expenditures	298,037	429,093	-	347,767	67,402	-	19,584	1,161,883
Excess (Deficiency) of Revenues Over Expenditures	(35,757)	(284,878)	109,964	(118,162)	33,213	27,474	(19,584)	(287,730)
Transfers in	298,036	428,465	-	119,187	-	-	19,584	865,272
Transfers out	(262,280)	(141,086)	-	-	-	(3,000)		(406,366)
Total Other Financing Sources (Uses)	35,756	287,379	-	119,187	-	(3,000)	19,584	458,906
Net Change in Fund Balances	(1)	2,501	109,964	1,025	33,213	24,474	-	171,176
Fund Balances, Beginning of year	426,317	636,322	(435)	337,732	120,174	-	-	1,520,110
Fund Balances, End of Year	\$ 426,316	\$ 638,823	\$ 109,529	\$ 338,757	\$ 153,387	\$ 24,474	\$ -	\$ 1,691,286

TOWN OF LOS ALTOS HILLS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL STORM DRAIN FUND FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 132,500	\$ 194,100	\$ 262,280	\$ 68,180
Total Revenues	132,500	194,100	262,280	68,180
EXPENDITURES				
Current:				
Drainage operations	381,351	380,671	298,037	82,634
Total Expenditures	381,351	380,671	298,037	82,634
Excess (Deficiency) of Revenues Over Expenditures	(248,851)	(186,571)	(35,757)	150,814
OTHER FINANCING SOURCES (USES)				
Transfers in	387,651	387,651	298,036	(89,615)
Transfers out	(138,800)	(138,800)	(262,280)	(123,480)
Total Other Financing Sources (Uses)	248,851	248,851	35,756	(213,095)
Net Change in Fund Balance	-	62,280	(1)	(62,281)
Fund Balance, Beginning of Year	426,317	426,317	426,317	-
Fund Balance, End of Year	\$ 426,317	\$ 488,597	\$ 426,316	\$ (62,281)

TOWN OF LOS ALTOS HILLS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL PATHWAY IN-LIEU FEES FUND FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Use of money and property	\$ 1,000	\$ 1,000	\$ 3,129	\$ 2,129
Charges for services	187,000	187,000	141,086	(45,914)
Total Revenues	188,000	188,000	144,215	(43,785)
EXPENDITURES				
Current:				
Parks and recreation	488,081	482,000	429,093	52,907
Total Expenditures	488,081	482,000	429,093	52,907
Excess (Deficiency) of Revenues Over Expenditures	(300,081)	(294,000)	(284,878)	9,122
OTHER FINANCING SOURCES (USES)				
Transfers in	446,781	446,781	428,465	(18,316)
Transfers out	(146,700)	(146,700)	(141,086)	5,614
Total Other Financing Sources (Uses)	300,081	300,081	287,379	(12,702)
Net Change in Fund Balance	-	6,081	2,501	(3,580)
Fund Balance, Beginning of Year	636,322	636,322	636,322	-
Fund Balance, End of Year	<u>\$ 636,322</u>	<u>\$ 642,403</u>	<u>\$ 638,823</u>	<u>\$ (3,580)</u>

TOWN OF LOS ALTOS HILLS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL PARKS AND RECREATION IN LIEU FUND FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 42,000	\$ 42,000	\$ 109,964	\$ 67,964
Total Revenues	42,000	42,000	109,964	67,964
EXPENDITURES				
Capital Outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	42,000	42,000	109,964	67,964
Net Change in Fund Balance	42,000	42,000	109,964	67,964
Fund Balance, Beginning of Year	(435)	(435)	(435)	-
Fund Balance, End of Year	\$ 41,565	\$ 41,565	\$ 109,529	\$ 67,964

TOWN OF LOS ALTOS HILLS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL STREET FUND FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Licenses and permits	\$ 34,000	\$ 61,800	\$ 77,830	\$ 16,030
Intergovernmental	144,100	166,400	150,390	(16,010)
Use of money and property	1,000	1,000	1,385	385
Miscellaneous	1,000	1,000	-	(1,000)
Total Revenues	180,100	230,200	229,605	(595)
EXPENDITURES				
Current:				
Street operations	436,924	427,594	347,767	79,827
Total Expenditures	436,924	427,594	347,767	79,827
Excess (Deficiency) of Revenues Over Expenditures	(256,824)	(197,394)	(118,162)	79,232
OTHER FINANCING SOURCES (USES)				
Transfers in	256,824	256,824	119,187	(137,637)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	256,824	256,824	119,187	(137,637)
Net Change in Fund Balance	-	59,430	1,025	(58,405)
Fund Balance, Beginning of Year	337,732	337,732	337,732	-
Fund Balance End of Year	\$ 337,732	\$ 397,162	\$ 338,757	\$ (58,405)

TOWN OF LOS ALTOS HILLS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL SPECIAL DONATIONS FUND FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Miscellaneous	\$ -	\$ 21,900	\$ 27,474	\$ 5,574
Total Revenues	-	21,900	27,474	5,574
EXPENDITURES				
Current:				
Administration			-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	21,900	27,474	5,574
OTHER FINANCING SOURCES (USES)				
Transfers in			-	-
Transfers out	-	(5,000)	(3,000)	2,000
Total Other Financing Sources (Uses)	-	(5,000)	(3,000)	2,000
Net Change in Fund Balance	-	16,900	24,474	7,574
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance End of Year	\$ -	\$ 16,900	\$ 24,474	\$ 7,574

TOWN OF LOS ALTOS HILLS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL CITIZENS' OPTION FOR PUBLIC SAFETY (COPS) FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 98,729	\$ (1,271)
Use of money and property	100	100	584	484
Miscellaneous	-	-	1,302	1,302
Total Revenues	100,100	100,100	100,615	515
EXPENDITURES				
Current:				
Public safety	149,504	149,160	67,402	81,758
Total Expenditures	149,504	149,160	67,402	81,758
Excess (Deficiency) of Revenues Over Expenditures	(49,404)	(49,060)	33,213	82,273
Net Change in Fund Balance	(49,404)	(49,060)	33,213	82,273
Fund Balance, Beginning of Year	120,174	120,174	120,174	-
Fund Balance, End of Year	\$ 70,770	\$ 71,114	\$ 153,387	\$ 82,273

TOWN OF LOS ALTOS HILLS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL DEBT SERVICE FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
Debt service				
Principal	15,048	15,048	16,212	(1,164)
Interest	4,552	4,552	3,372	1,180
Total Expenditures	19,600	19,600	19,584	16
Excess (Deficiency) of Revenues Over Expenditures	(19,600)	(19,600)	(19,584)	16
OTHER FINANCING SOURCES (USES)				
Transfers in	19,600	19,600	19,584	(16)
Total Other Financing Sources (Uses)	19,600	19,600	19,584	(16)
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance End of Year	\$ -	\$ -	\$ -	\$ -

TOWN OF LOS ALTOS HILLS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL STREET CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	\$ 176,000	\$ 176,000	\$ 83,704	\$ (92,296)
Charges for services	40,000	40,000	40,444	444
Miscellaneous	-	-	-	-
Total Revenues	216,000	216,000	124,148	(91,852)
EXPENDITURES				
Capital outlay	1,340,700	1,865,700	1,522,845	342,855
Total Expenditures	1,340,700	1,865,700	1,522,845	342,855
Excess (Deficiency) of Revenues Over Expenditures	(1,124,700)	(1,649,700)	(1,398,697)	251,003
OTHER FINANCING SOURCES (USES)				
Transfers in	1,124,700	1,649,700	1,398,696	(251,004)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	1,124,700	1,649,700	1,398,696	(251,004)
Net Change in Fund Balance	-	-	(1)	(1)
Fund Balance, Beginning of Year	65,682	65,682	65,682	-
Fund Balance, End of Year	\$ 65,682	\$ 65,682	\$ 65,681	\$ (1)

TOWN OF LOS ALTOS HILLS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL OTHER CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	\$ 108,425	\$ 159,725	\$ 23,134	\$ (136,591)
Use of money and property	43,000	43,000	39,575	(3,425)
Miscellaneous	-	-	71,777	71,777
Total Revenues	151,425	202,725	134,486	(68,239)
EXPENDITURES				
Capital outlay:				
General CIP	342,500	342,500	123,776	218,724
Pathways	156,700	171,600	25,164	146,436
Westwind Barn Projects	40,700	40,700	40,000	700
Drainage	138,800	214,800	54,022	160,778
Total Expenditures	678,700	769,600	242,962	526,638
Excess (Deficiency) of Revenues Over Expenditures	(527,275)	(566,875)	(108,476)	458,399
OTHER FINANCING SOURCES (USES)				
Transfers in	529,575	529,575	523,987	(5,588)
Total Other Financing Sources (Uses)	529,575	529,575	523,987	(5,588)
Net Change in Fund Balance	2,300	(37,300)	415,511	452,811
Fund Balance, Beginning of Year	453,377	453,377	453,377	-
Fund Balance, End of Year	\$ 455,677	\$ 416,077	\$ 868,888	\$ 452,811

TOWN OF LOS ALTOS HILLS

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – BUDGET AND ACTUAL PROPRIETARY FUND - SEWER FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
OPERATING REVENUES				
Charges for services	\$ 1,385,800	\$ 1,385,800	\$ 1,392,029	\$ 6,229
Use of Money & Property	4,900	4,900		(4,900)
Total Operating Revenues	<u>1,390,700</u>	<u>1,390,700</u>	<u>1,392,029</u>	<u>1,329</u>
OPERATING EXPENSES				
Salaries and benefits	165,391	165,391	143,547	21,844
Contract services	1,348,650	1,348,650	1,171,876	176,774
Operating expenses	340,783	177,760	101,063	76,697
Depreciation	<u>170,200</u>	<u>170,200</u>	<u>175,257</u>	<u>(5,057)</u>
Total Operating Expenses	<u>2,025,024</u>	<u>1,862,001</u>	<u>1,591,743</u>	<u>270,258</u>
Operating Income (Loss)	<u>(634,324)</u>	<u>(471,301)</u>	<u>(199,714)</u>	<u>271,587</u>
NONOPERATING REVENUE (EXPENSES)				
Investment income	-	-	19,533	19,533
Income Before Contributions and Transfers	<u>(634,324)</u>	<u>(471,301)</u>	<u>(180,181)</u>	<u>291,120</u>
Connection Fees	<u>143,200</u>	<u>160,400</u>	<u>234,339</u>	<u>73,939</u>
Changes in Net Position	(491,124)	(310,901)	54,158	365,059
Total Net Position, Beginning of Year (restated)	<u>7,742,011</u>	<u>7,742,011</u>	<u>7,742,011</u>	<u>-</u>
Total Net Position, End of Year	<u>\$ 7,250,887</u>	<u>\$ 7,431,110</u>	<u>\$ 7,796,169</u>	<u>\$ 365,059</u>

TOWN OF LOS ALTOS HILLS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>
WEST LOYOLA SEWER ASSESSMENT DISTRICT				
ASSETS				
Restricted cash and investments	\$ 306,471	\$ 152,822	\$ 150,413	\$ 308,880
Miscellaneous receivables	1,294	597	1,294	597
	<u>\$ 307,765</u>	<u>\$ 153,419</u>	<u>\$ 151,707</u>	<u>\$ 309,477</u>
LIABILITIES				
Due to bond holders	\$ 306,415	\$ 3,062		\$ 309,477
Accounts payable	1,350		1,350	-
	<u>\$ 307,765</u>	<u>\$ 3,062</u>	<u>\$ 1,350</u>	<u>\$ 309,477</u>

STATISTICAL SECTION

STATISTICAL SECTION (UNAUDITED)

This part of the Town of Los Altos Hills Comprehensive Annual Financial Report presents the detailed information as a context for understand what the information in the financial statements, note disclosures, and required supplementary information says about the Town’s overall financial health

Contents	Page
<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how Town’s financial performance and well-being have changed over time.	87
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess one of the Town’s most significant local revenue source, the property tax.	91
<u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the Town’s current levels of outstanding debt and its ability to issue additional debt in the future.	95
<u>Demographic and Economic Information</u> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town’s financial activities take place.	98
<u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the Town’s CAFR relates to the services the Town provides and activities it performs.	100

**TOWN OF LOS ALTOS HILLS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Invested in capital assets, net of related debt	\$ 19,272,946	\$ 19,777,871	\$ 21,225,843	\$ 22,733,833	\$ 23,564,257	\$ 24,421,688	\$ 25,681,352	\$ 26,654,599	\$ 25,535,393	\$ 25,370,209
Restricted	1,090,633	1,102,922	651,518	936,212	1,447,591	960,737	1,507,673	1,787,750	1,520,545	1,666,812
Unrestricted	<u>6,844,268</u>	<u>7,372,911</u>	<u>9,719,357</u>	<u>9,131,068</u>	<u>7,831,794</u>	<u>7,654,909</u>	<u>4,582,714</u>	<u>4,349,494</u>	<u>7,124,524</u>	<u>7,064,274</u>
Total governmental activities net position	<u>\$ 27,207,847</u>	<u>\$ 28,253,704</u>	<u>\$ 31,596,718</u>	<u>\$ 32,801,113</u>	<u>\$ 32,843,642</u>	<u>\$ 33,037,334</u>	<u>\$ 31,771,739</u>	<u>\$ 32,791,843</u>	<u>\$ 34,180,462</u>	<u>\$ 34,101,295</u>
Business-type activities:										
Invested in capital assets, net of related debt	\$ 974,302	\$ 1,155,552	\$ 1,172,175	\$ 2,427,865	\$ 4,022,707	\$ 4,369,141	\$ 4,452,208	\$ 4,312,151	\$ 4,774,920	\$ 5,022,034
Restricted				\$ 2,999,604	1,727,745	-	-	-		
Unrestricted	<u>2,650,690</u>	<u>2,301,817</u>	<u>2,745,457</u>	<u>2,002,327</u>	<u>2,619,265</u>	<u>2,856,291</u>	<u>2,915,748</u>	<u>3,227,161</u>	<u>3,075,429</u>	<u>2,774,135</u>
Total business-type activities net position	<u>\$ 3,624,992</u>	<u>\$ 3,457,369</u>	<u>\$ 3,917,632</u>	<u>\$ 7,429,796</u>	<u>\$ 8,369,717</u>	<u>\$ 7,225,432</u>	<u>\$ 7,367,956</u>	<u>\$ 7,539,312</u>	<u>\$ 7,850,349</u>	<u>\$ 7,796,169</u>
Primary government:										
Invested in capital assets, net of related debt	\$ 20,247,248	\$ 20,933,423	\$ 22,398,018	\$ 25,161,698	\$ 27,586,964	\$ 28,790,829	\$ 30,133,560	\$ 30,966,750	\$ 30,310,313	\$ 30,392,243
Restricted	1,090,633	1,102,922	651,518	3,935,816	3,175,336	960,737	1,507,673	1,787,750	1,520,545	1,666,812
Unrestricted	<u>9,494,958</u>	<u>9,674,728</u>	<u>12,464,814</u>	<u>11,133,395</u>	<u>10,451,059</u>	<u>10,511,200</u>	<u>7,498,462</u>	<u>7,576,655</u>	<u>10,199,953</u>	<u>9,838,409</u>
Total net position	<u>\$ 30,832,839</u>	<u>\$ 31,711,073</u>	<u>\$ 35,514,350</u>	<u>\$ 40,230,909</u>	<u>\$ 41,213,359</u>	<u>\$ 40,262,766</u>	<u>\$ 39,139,695</u>	<u>\$ 40,331,155</u>	<u>\$ 42,030,811</u>	<u>\$ 41,897,464</u>

Source: Audited Financial Statements.

**TOWN OF LOS ALTOS HILLS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental activities*:										
Administration	\$ 1,916,042	\$ 1,979,197	\$ 1,834,475	\$ 2,198,029	\$ 2,071,985	\$ 1,822,653	\$ 2,046,868	\$ 1,837,120	\$ 639,350	\$ 538,004
Public safety	1,221,699	1,333,011	1,381,626	1,469,522	1,491,760	1,384,604	1,345,461	1,440,002	1,555,955	1,567,747
Community development	2,123,580	2,377,965	2,522,067	2,422,892	2,660,434	2,111,541	2,437,335	2,448,821	3,224,490	3,324,935
Parks and recreation	557,503	703,112	802,066	1,240,406	1,279,596	1,310,566	1,300,211	1,314,872	1,479,822	1,358,479
Drainage and street operations	535,985	664,229	578,324	558,980	830,146	934,755	700,017	627,512	842,532	839,577
Interest on long-term debt			88,539	82,603	75,962	71,553	44,305	4,526	3,955	3,304
Total governmental activities expenses	6,354,809	7,057,514	7,207,097	7,972,432	8,409,883	7,635,672	7,874,197	7,672,853	7,746,104	7,632,046
Business-type activities:										
Sewer	889,866	1,005,104	1,080,206	1,097,072	947,450	1,022,325	1,328,856	1,242,885	1,271,651	1,591,743
Solid waste	1,479,694	1,440,098	1,512,251	387,335	-	-	-	-	-	-
Total business-type activities expenses	2,369,560	2,445,202	2,592,457	1,484,407	947,450	1,022,325	1,328,856	1,242,885	1,271,651	1,591,743
Total primary government expenses	8,724,369	9,502,716	9,799,554	9,456,839	9,357,333	8,657,997	9,203,053	8,915,738	9,017,755	9,223,789
Program revenues:										
Governmental activities:										
Charges for services:										
Public safety	10,783	14,651	13,217	1,958	-	-	-	3,200	-	1,302
Community development	1,061,923	1,095,175	1,255,246	1,278,407	1,218,744	1,362,932	1,843,682	1,768,740	1,871,118	2,623,027
Parks and recreation	290,494	279,008	234,258	566,446	541,337	532,623	476,599	433,785	281,886	316,391
Drainage and street operations	434,090	727,329	722,151	620,523	709,133	601,078	340,010	169,526	186,631	340,110
Operating contributions and grants	304,114	536,042	1,292,756	1,619,218	996,454	447,717	531,671	1,267,777	500,245	338,453
Capital contributions and grants	-	-	-	-	-	-	-	-	266,736	246,533
Total governmental activities program revenues	2,101,404	2,652,205	3,517,628	4,086,552	3,465,668	2,944,350	3,191,962	3,643,028	3,106,616	3,865,816
Business-type activities:										
Charges for services:										
Sewer	983,196	1,136,302	1,511,372	1,335,790	1,643,706	1,406,130	1,355,667	1,359,338	1,382,472	1,392,029
Solid waste	1,411,507	1,399,347	1,472,296	361,763	-	-	-	-	-	-
Operating contributions and grants	4,900	6,107	7,270	-	-	-	-	-	-	-
Capital contributions and grants	-	-	-	3,208,687	272,405	(1,486,331)	170,955	125,183	175,497	234,339
Total business-type activities program revenues	2,399,603	2,541,756	2,990,938	4,906,240	1,916,111	(80,201)	1,526,622	1,484,521	1,557,969	1,626,368
Total primary government program revenues	4,501,007	5,193,961	6,508,566	8,992,792	5,381,779	2,864,149	4,718,584	5,127,549	4,664,585	5,492,184
Net revenues (expenses)										
Government activities	(4,253,405)	(4,405,309)	(3,689,469)	(3,885,880)	(4,944,215)	(4,691,322)	(4,682,235)	(4,029,825)	(4,639,488)	(3,766,230)
Business-type activities	30,043	96,554	398,481	3,421,833	968,661	(1,102,526)	197,766	241,636	286,318	34,625
Total net revenues (expenses)	(4,223,362)	(4,308,755)	(3,290,988)	(464,047)	(3,975,554)	(5,793,848)	(4,484,469)	(3,788,189)	(4,353,170)	(3,731,605)
General revenues and other changes in net position:										
Governmental revenues:										
Taxes										
Property taxes	2,492,070	2,998,724	3,216,837	3,410,921	3,444,173	3,393,604	3,543,231	3,785,652	4,153,331	4,606,184
Other taxes	493,145	536,746	477,705	404,678	366,442	544,092	427,826	594,656	626,479	649,542
Franchise fees	336,798	371,717	389,224	431,574	387,803	428,332	430,149	421,634	463,598	513,997
Sale of Capital Assets-net	-	-	1,430,776	143,518	242	6,600	-	-	-	-
Use of money and property	325,514	521,425	744,677	498,721	212,126	178,450	156,743	142,931	199,609	208,776
Other intergovernmental revenue	94,276	513,899	502,482	108,147	140,947	69,166	-	-	-	-
Other unrestricted revenue	123,235	113,700	154,061	69,520	303,395	193,425	39,448	34,057	585,089	174,469
Special Item**	-	-	-	-	-	-	(1,250,000)	-	-	-
Transfers	260,648	394,955	116,721	23,196	131,616	71,345	69,243	71,000	-	-
Total governmental activities	4,125,686	5,451,166	7,032,483	5,090,275	4,986,744	4,885,014	3,416,640	5,049,930	6,028,106	6,152,968
Business-type activities:										
Use of money and property	102,872	130,778	178,503	113,527	102,876	29,585	14,001	720	24,719	19,533
Transfers	(260,648)	(394,955)	(116,721)	(23,196)	(131,616)	(71,345)	(69,243)	(71,000)	-	-
Total business-type activities	(157,776)	(264,177)	61,782	90,331	(28,740)	(41,760)	(55,242)	(70,280)	24,719	19,533
Total primary government	3,967,910	5,186,989	7,094,265	5,180,606	4,958,004	4,843,254	3,361,398	4,979,650	6,052,825	6,172,501
Changes in net position										
Governmental activities	(127,719)	1,045,857	3,343,014	1,204,395	42,529	193,692	(1,265,595)	1,020,105	1,388,618	2,386,738
Business-type activities	(127,733)	(167,623)	460,263	3,512,164	939,921	(1,144,286)	142,524	171,356	311,037	54,158
Total primary government	\$ (255,452)	\$ 878,234	\$ 3,803,277	\$ 4,716,559	\$ 982,450	\$ (950,594)	\$ (1,123,071)	\$ 1,191,461	\$ 1,699,655	\$ 2,440,896

* Governmental Activities affected by implementation of cost allocation plan in 2014.

** Special item is related to provision for one-time refund of Roadway Impact Fee

TOWN OF LOS ALTOS HILLS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund										
Committed	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ 170,000	\$ 240,000	\$ 286,150	\$ 285,000	\$ 360,000
Unassigned	<u>3,702,083</u>	<u>4,188,511</u>	<u>2,964,602</u>	<u>3,623,779</u>	<u>3,810,511</u>	<u>5,607,882</u>	<u>3,063,979</u>	<u>2,990,283</u>	<u>5,420,162</u>	<u>7,048,964</u>
Total General Fund	<u>\$ 5,302,083</u>	<u>\$ 5,788,511</u>	<u>\$ 4,564,602</u>	<u>\$ 5,223,779</u>	<u>\$ 5,410,511</u>	<u>\$ 5,777,882</u>	<u>\$ 3,303,979</u>	<u>\$ 3,276,433</u>	<u>\$ 5,705,162</u>	<u>\$ 7,408,964</u>
All other governmental funds										
Restricted	\$ 662,056	\$ 473,772	\$ 846,908	\$ 1,148,960	\$ 1,557,669	\$ 960,737	\$ 1,507,673	\$ 1,787,750	\$ 1,520,545	\$ 1,691,286
Committed	1,801,067	1,897,547	4,633,079	3,441,870	1,820,403	1,311,759	75,112	354,495	519,059	934,569
Unassigned	<u>5,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(184,268)</u>	<u>-</u>	<u>(435)</u>	<u>-</u>
Total all other governmental funds	<u>\$ 1,806,637</u>	<u>\$ 1,897,547</u>	<u>\$ 4,633,079</u>	<u>\$ 3,441,870</u>	<u>\$ 1,820,403</u>	<u>\$ 1,311,759</u>	<u>\$ 1,398,517</u>	<u>\$ 2,142,245</u>	<u>\$ 2,039,169</u>	<u>\$ 2,625,855</u>

Source: Audited Financial Statements.

TOWN OF LOS ALTOS HILLS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Property taxes	\$ 2,433,918	\$ 2,991,481	\$ 3,205,734	\$ 3,403,586	\$ 3,438,168	\$ 3,393,604	\$ 3,543,251	\$ 3,785,652	\$ 4,153,332	\$ 4,606,184
Taxes other than property	493,145	536,746	434,126	366,282	332,189	503,766	423,353	545,228	524,763	645,836
Franchise fees	336,798	371,717	389,224	431,574	387,803	428,332	430,149	421,634	463,598	513,997
Licenses and permits	472,344	519,492	693,964	612,092	732,233	820,694	651,476	754,460	1,006,907	1,485,394
Intergovernmental	448,633	1,049,941	1,838,817	889,209	656,480	428,833	457,952	1,264,716	610,850	397,470
Use of money and property	388,826	657,793	851,667	612,902	212,126	210,904	196,891	200,937	281,583	295,447
Charges for services	1,255,116	1,426,492	1,396,904	1,749,121	1,751,358	1,605,081	1,836,621	1,407,987	1,411,082	1,858,220
Miscellaneous	137,662	154,751	192,178	945,347	810,197	360,205	249,686	241,344	599,992	175,380
Total revenues	5,966,442	7,708,413	9,002,614	9,010,113	8,320,554	7,751,419	7,789,379	8,621,958	9,052,107	9,977,928
Expenditures										
Current:										
Administration	1,219,107	1,589,309	1,345,356	1,481,883	1,651,144	1,453,778	1,580,902	1,363,140	276,162	447,843
Public safety	918,444	1,036,511	1,067,269	1,130,438	1,092,359	1,120,237	1,057,330	1,131,772	1,209,028	1,205,913
Community development	1,547,665	1,773,386	1,855,950	1,792,913	2,025,711	1,686,842	1,992,581	1,918,408	2,581,031	2,557,545
Parks and recreation	389,528	527,075	590,228	900,850	964,244	1,060,335	1,049,563	1,033,239	1,178,463	1,044,944
Drainage and street operation	377,243	474,274	425,579	413,625	625,610	756,279	549,782	492,889	678,195	645,804
Debt service:										
Principal	61,220	116,092	121,470	127,128	133,693	142,285	1,377,532	15,048	15,618	16,212
Interest	145,113	95,224	89,846	84,188	77,623	73,264	62,725	4,536	3,966	3,372
Capital outlay	995,131	2,199,242	3,169,654	3,475,782	2,908,054	2,321,552	1,584,367	2,719,447	783,990	1,765,807
Total expenditures	5,653,451	7,811,113	8,665,352	9,406,807	9,478,438	8,614,572	9,254,782	8,678,479	6,726,453	7,687,440
Excess (deficiency) of revenues over (under) expenditures	312,991	(102,700)	337,262	(396,694)	(1,157,884)	(863,153)	(1,465,403)	(56,521)	2,325,654	2,290,488
Other financing sources (uses)										
Special Item*	-	-	-	-	-	-	(1,250,000)	-	-	-
Sale of assets	-	-	1,430,776	143,518	242	6,600	-	-	-	-
Transfers in	1,532,618	2,484,132	4,021,974	2,075,139	2,009,503	2,406,621	2,900,401	2,178,543	1,490,019	2,790,955
Transfers out	(1,271,970)	(2,089,178)	(3,905,254)	(2,051,943)	(1,877,887)	(2,335,276)	(2,831,158)	(2,107,543)	(1,490,019)	(2,790,955)
Proceeds from debt	160,000	-	-	-	-	47,000	-	-	-	-
Other financing sources (uses)	420,648	394,954	1,547,496	166,714	131,858	124,945	(1,180,757)	71,000	0	0
Net change in fund balances	\$ 733,639	\$ 292,254	\$ 1,884,758	\$ (229,980)	\$ (1,026,026)	\$ (738,208)	\$ (2,646,160)	\$ 14,479	\$ 2,325,654	\$ 2,290,488
Debt service as a percentage of noncapital expenditures	4.6%	3.9%	4.0%	3.7%	3.3%	3.5%	23.1%	0.3%	0.3%	0.3%

Note* Special item is related to provision for one-time refund of Roadway Impact Fee
Source: Audited Financial Statements.

**TOWN OF LOS ALTOS HILLS
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

Fiscal year ended June 30	Secured roll	Unsecured roll	Less exemptions	Taxable assessed value	Total direct tax rate	% change in assessed value
2006	\$ 3,780,949,515	\$ 3,401,643	\$ 15,335,600	\$ 3,799,686,758	0.079%	9.84%
2007	4,108,003,987	3,994,564	15,283,800	4,127,282,351	0.078%	8.62%
2008	4,372,539,911	12,144,678	15,300,600	4,399,985,189	0.077%	6.61%
2009	4,751,981,600	3,396,490	15,632,400	4,771,010,490	0.072%	8.43%
2010	4,888,694,340	3,417,417	15,596,000	4,907,707,757	0.069%	2.87%
2011	4,885,232,815	3,203,017	15,335,600	4,903,771,432	0.072%	-0.08%
2012	5,068,419,730	6,024,790	15,283,800	5,089,728,320	0.074%	3.79%
2013	5,313,742,001	5,859,024	15,300,600	5,334,901,625	0.078%	4.82%
2014	5,835,114,060	5,041,770	15,632,400	5,855,788,230	0.079%	9.76%
2015	6,244,256,574	6,358,260	14,732,200	6,209,602,590	0.074%	6.04%

The total direct tax rate is computed by dividing the amount of property tax revenue recognized in the financial statements by the taxable assessed value.

Note: In fiscal year 2015, property tax revenue increased by \$452,852 (11%) over the prior fiscal year. This increase resulted from property sales which increased assessed valuation.

Source: Santa Clara County Assessor 2014/15 Combined Tax Rolls

TOWN OF LOS ALTOS HILLS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	Basic county-wide levy	El Camino Hospital levy	School/College district levy	Santa Clara Valley Water District	County and library retirement	Per hundred \$ total
2006	1.0000	-	0.1276	0.0078	0.0412	1.1766
2007	1.0000	0.01290	0.1506	0.0072	0.0412	1.2119
2008	1.0000	0.01290	0.1260	0.0071	0.0412	1.1872
2009	1.0000	0.01290	0.1201	0.0061	0.0412	1.1803
2010	1.0000	0.01290	0.1453	0.0074	0.0534	1.2190
2011	1.0000	0.01290	0.1522	0.0072	0.0507	1.2230
2012	1.0000	0.01290	0.1495	0.0064	0.0459	1.2147
2013	1.0000	0.01290	0.1956	0.0069	0.0463	1.2617
2014	1.0000	0.01290	0.1859	0.0070	0.0447	1.2505
2015	1.0000	0.00910	0.1784	0.0065	0.0503	1.2481

Data Source: County of Santa Clara Assessor 2005/06-2014/15 Tax Rate Table

**TOWN OF LOS ALTOS HILLS
PRINCIPAL TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO**

Taxpayer	Type of property	2015		2006	
		Assessed value	Percentage of total assessed valuation	Assessed value	Percentage of total assessed valuation
LaPaloma Property LLC	Single family residential	\$ 53,209,936	0.86%		
Douglas E Leone trustee and Et Al	Single family residential	26,112,407	0.42%		
Homa Natoma LLC	Single family residential	25,062,263	0.40%		
Sehat Sutardja and Dai Weili	Single family residential	19,611,382	0.32%		
Kumar Malavalli Trustee and Et Al	Single family residential	18,151,122	0.29%		
David Hitz Trustee	Single family residential	16,935,315	0.27%		
Book LLC	Single family residential	16,175,474	0.26%		
Charles Perrell Trustee	Single family residential	14,996,572	0.24%		
Steven Leim Trustee	Single family residential	14,314,695	0.23%		
Pinus Bungeana LLC	Single family residential	14,210,000	0.23%		
Large House LLC	Single family residential			\$ 27,841,688	0.74%
Wilfred J Corrigan Trustee	Single family residential			20,137,524	0.53%
Northfork Vineyards LLC	Single family residential			17,960,869	0.47%
William M Carrico Trustee	Single family residential			17,340,000	0.46%
James A Dorrian Trustee and Et Al	Single family residential			15,822,975	0.42%
Sehat Sutardja and Dai Weili	Single family residential			14,764,386	0.39%
David Hitz Trustee	Single family residential			14,603,721	0.39%
Kumar and Vijay Malavalli Trustee	Single family residential			14,187,669	0.37%
Owen Companies	Dry Farm			13,019,222	0.34%
The Creative Center of Los Altos	Vacant Land			11,220,000	0.30%
Totals		<u>\$ 218,779,166</u>	<u>3.52%</u>	<u>\$ 166,898,054</u>	<u>4.41%</u>

Note: There are no commercial or industrial facilities within Town limits; only three of the top ten principal taxpayers for fiscal year 2006 are included in the top ten taxpayer list for fiscal year 2015.

Source: Santa Clara County Assessor 2005/06 and 2014/15 Combined Tax Rolls and the SBE Non Unitary Tax Roll

**TOWN OF LOS ALTOS HILLS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Tax Levy	% of Chg	Collected within FY		Collections Subsequent Year (1)	Total Collections to Date		Value of property subject to local tax rate
			Amount	% of Levy		Amount	% of Levy	
2006	\$ 2,433,918	39%	\$ 2,433,918	100%		\$ 2,433,918	100%	\$ 3,784,351,158
2007	2,991,481	23%	2,991,481	100%		2,991,481	100%	4,111,998,551
2008	3,205,734	7%	3,205,734	100%		3,205,734	100%	4,384,684,589
2009	3,403,586	6%	3,403,586	100%		3,403,586	100%	4,755,378,090
2010	3,438,168	1%	3,438,168	100%		3,438,168	100%	4,892,111,757
2011	3,393,604	-1%	3,393,604	100%		3,393,604	100%	4,888,435,832
2012	3,543,251	4%	3,543,251	100%		3,543,251	100%	5,074,444,520
2013	3,785,652	7%	3,785,652	100%		3,785,652	100%	5,319,601,025
2014	4,153,332	10%	4,153,332	100%		4,153,332	100%	5,840,155,830
2015	4,606,184	11%	4,606,184	100%		4,606,184	100%	6,209,602,590

(1) The County of Santa Clara levies, bills, and collects property taxes for the Town. Under the Teeter Bill, the County remits the entire amount levied and handles the delinquencies, retaining interest and penalties.

Sources: Santa Clara County Assessor Office 2014-2015 Combined Tax Rolls
Town of Los Altos Hills financial reports

TOWN OF LOS ALTOS HILLS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Capital lease</u>	<u>Loan</u>	<u>Total governmental activities and primary government</u>	<u>Debt per capita</u>	<u>Population</u>
2006	\$ 1,948,518	\$ 150,263	\$ 2,098,781	\$ 249	8,420
2007	1,841,934	140,755	1,982,689	234	8,475
2008	1,730,337	130,882	1,861,219	218	8,556
2009	1,614,148	120,601	1,734,749	197	8,799
2010	1,491,146	109,910	1,601,056	180	8,890
2011	1,363,047	142,724	1,505,771	167	9,042
2012	-	128,239	128,239	16	8,027
2013	-	113,191	113,191	14	8,264
2014	-	97,572	97,572	12	8,354
2015	-	81,360	81,360	10	8,330

Prior to fiscal year 2005, the Town had no debt. Details regarding the Town's outstanding debt can be found in Note #5 to financial statements.

The Town entered into a lease agreement in the amount of \$2,000,000 in September, 2004 to finance the new Town Hall project. In Fiscal Year 2011-12, Town paid-off outstanding loan amount of \$1363,047.

The Town received a loan in the amount of \$160,000 during fiscal year 2006 to provide funding for energy conservation features of the new building. In fiscal year 2010-11, Town received additional loan in the amount of \$47,000 for another energy efficiency project.

Source: Debt Data - Town of Los Altos Hills Financial Statements
Population: California Department of Finance

TOWN OF LOS ALTOS HILLS
DIRECT AND OVERLAPPING DEBT
FOR THE YEAR ENDED JUNE 30, 2015

TOWN OF LOS ALTOS HILLS

2014-15 Assessed Valuation: \$6,209,602,590

	Total Debt 6/30/15	% Applicable (1)	Town's Share of Debt 6/30/15
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Santa Clara County	\$799,180,000	1.739%	\$ 13,897,740
Foothill-DeAnza Community College District	506,734,288	5.138	30,660,208
Palo Alto Unified School District	293,929,249	7.417	21,800,732
Mountain View-Los Altos Union High School District	62,407,734	11.027	6,881,701
Los Altos School District	72,518,760	22.385	16,233,324
El Camino Hospital District	138,345,000	9.103	12,593,545
Santa Clara Valley Water District Benefit Assessment District	106,690,000	1.739	1,855,339
Town of Los Altos Hills	81,360	100.	81,360
Town of Los Altos Hills 1915 Act Bonds	1,835,000	100.	1,835,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$105,838,949
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
Santa Clara County General Fund Obligations	\$707,613,810	1.739%	\$12,305,404
Santa Clara County Pension Obligation Bonds	371,443,561	1.739	6,459,405
Santa Clara County Board of Education Certificates of Participation	9,030,000	1.739	157,032
Foothill-DeAnza Community College District Certificates of Participation	11,617,623	5.138	596,913
Mountain View-Los Altos Union High School District Certificates of Participation	2,940,000	11.027	324,194
Santa Clara County Vector Control District Certificates of Participation	3,085,000	1.739	53,648
Midpeninsula Regional Park District General Fund Obligations	127,086,851	3.024	3,843,106
TOTAL OVERLAPPING GENERAL FUND DEBT			\$23,739,702
TOTAL DIRECT DEBT			\$81,360
TOTAL OVERLAPPING DEBT			\$129,497,291
COMBINED TOTAL DEBT			\$129,578,651 (2)

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:

Direct Debt.....	0.00%
Total Direct and Overlapping Tax and Assessment Debt.....	1.70%
Combined Total Debt.....	2.09%

Source: California Municipal Statistics

**TOWN OF LOS ALTOS HILLS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

<u>Fiscal year ended June 30</u>	<u>Total assessed valuation</u>	<u>Bonded debt limit - 15% of assessed valuation</u>	<u>Amount of debt subject to limit</u>	<u>Legal debt margin</u>
2006	\$ 3,784,351,158	\$ 567,652,674	-	\$ 567,652,674
2007	4,111,998,551	616,799,783	-	616,799,783
2008	4,384,684,589	657,702,688	-	657,702,688
2009	4,755,378,090	713,306,714	-	713,306,714
2010	4,892,111,757	733,816,764	-	733,816,764
2011	4,888,435,832	733,265,375	-	733,265,375
2012	5,074,444,520	761,166,678	-	761,166,678
2013	5,319,601,025	797,940,154	-	797,940,154
2014	5,840,155,830	876,023,375	-	876,023,375
2015	6,209,602,590	931,440,389	-	931,440,389

The Government Code of the State of California limits the amount of general bonded indebtedness for public improvements to 15% of the assessed valuation of all real and personal property of the Town.

The Town of Los Altos Hills has no general bonded indebtedness.

Source: Santa Clara County Assessor 2014-15 Combined Tax Rolls

TOWN OF LOS ALTOS HILLS

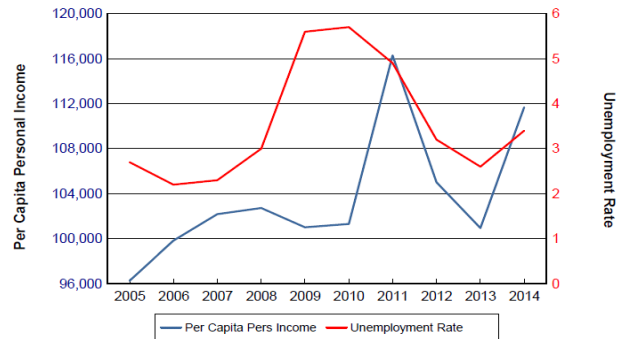
DEMOGRAPHICS AND ECONOMIC STATISTICS

LAST TEN YEARS

Calendar Year	Population		
	Los Altos Hills	Santa Clara County	California
2005	8,452	1,758,682	36,459,839
2006	8,482	1,772,404	36,796,970
2007	8,607	1,807,216	37,333,297
2008	8,837	1,835,549	37,713,118
2009	8,889	1,856,514	37,970,830
2010	9,042	1,879,833	38,347,485
2011	7,980	1,796,309	37,201,321
2012	8,027	1,815,484	37,379,037
2013	8,264	1,871,236	37,684,463
2014	8,354	1,867,538	38,054,890
2015	8,341	1,888,095	38,441,387

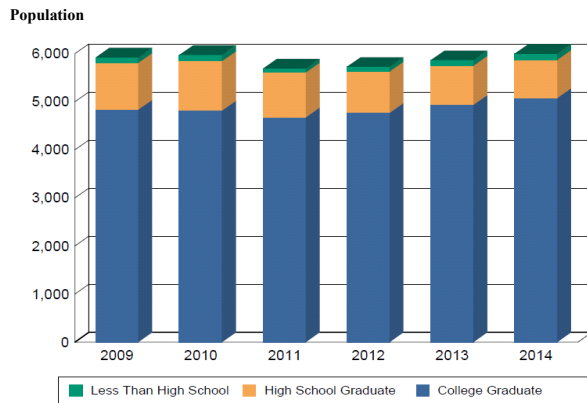
Source: Department of Finance, Price & Population Information

Personal Income and Unemployment



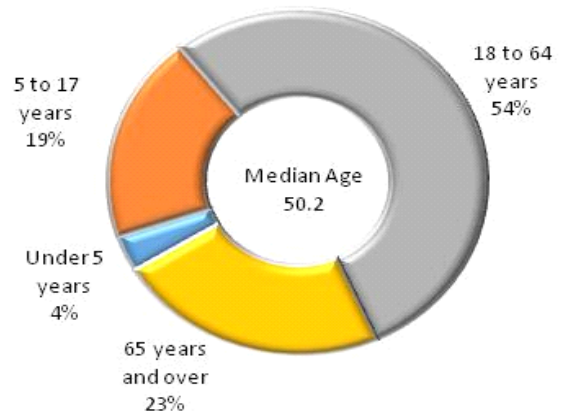
Source: California Employment Development Department
and U.S. Census Bureau

Education Level for Population 25 and Over



Source: ESRI

Age Group



Source: U.S. Census Bureau, 2010

Race and Ethnicity

Race/Ethnicity	Population		
	Los Altos Hills	Santa Clara County	California
African American	0.50%	2.60%	6.20%
Asian/Pacific Islander	26.70%	32.40%	13.40%
White	68.40%	47.00%	57.60%
Other	4.40%	18.00%	22.80%
Hispanic/Latino	2.70%	26.90%	37.60%
Non-Hispanic/Latino	97.30%	73.10%	62.40%

Source: US Census, 2010

**TOWN OF LOS ALTOS HILLS
DEMOGRAPHICS AND ECONOMIC STATISTICS
LAST TEN YEARS**

**TOWN OF LOS ALTOS HILLS
PRINCIPAL EMPLOYERS
CURRENT YEAR**

Employer	2015	
	Number of Employees	Percent of Total Employment
Foothill Community College	352	59.66%
Pinewood School	65	11.02%
Saint Nicholas School	31	5.25%
Fremont Hills Country Club	32	5.42%
Congregation Beth Am	50 ^	8.47%
Town of Los Altos Hills	19	3.22%
Los Altos School District	26	4.41%
Purissima Hills Water	15	2.54%
Totals	590	100.00%

The agencies listed above have operated in the Town during the past ten years, however, employment information for prior years is not available. There are no commercial or industrial employers in the Town.

Information for 2015 is not available.

Source: Information available from employers and websites.

^ Congregation Beth Am has 30 part-time teachers who work a couple hours a week

TOWN OF LOS ALTOS HILLS
DEMOGRAPHICS AND ECONOMIC STATISTICS
LAST TEN YEARS

TOWN OF LOS ALTOS HILLS
FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	Fall and Part-Time Employees as of June 30,									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Administration	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.42	3.42	5.92
Public safety	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.60	-	-
Community development	9.28	9.28	9.28	8.90	8.90	8.90	8.90	9.36	9.16	7.66
Town center and corpyard oper	1.12	1.12	1.12	1.12	1.12	1.12	1.12	1.50	2.09	1.00
Parks and recreation	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.54	0.75	0.60
Pathways	1.85	1.85	1.85	1.69	1.69	1.69	1.69	1.25	1.25	1.39
Drainage and street operations	2.62	2.62	2.62	2.46	2.46	2.46	2.46	1.92	2.02	1.70
Sewer	0.83	0.83	0.83	0.53	0.53	0.53	0.53	0.41	0.51	0.93
Solid waste	0.10	0.10	0.10	-	-	-	-	-	-	-
	<u>21.10</u>	<u>21.00</u>	<u>21.00</u>	<u>20.00</u>	<u>21.00</u>	<u>21.00</u>	<u>21.00</u>	<u>21.00</u>	<u>19.20</u>	<u>19.20</u>

Source: Town of Los Altos Hills Personnel Records

TOWN OF LOS ALTOS HILLS

DEMOGRAPHICS AND ECONOMIC STATISTICS

LAST TEN YEARS

TOWN OF LOS ALTOS HILLS OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Building permits issued:										
New homes	20	21	23	15	17	18	16	20	21	37
Valuation	\$ 12,156,957	\$ 13,570,895	\$ 19,575,954	\$ 15,674,840	\$ 13,277,815	\$ 22,801,520	\$ 14,446,905	\$ 20,970,084	\$ 25,266,696	\$ 32,021,811
Additions and remodels	105	60	107	70	88	103	92	88	116	132
Valuation	10,794,340	8,021,100	11,604,584	7,704,603	11,734,420	11,739,278	9,004,645	10,623,625	13,485,643	13,479,448
Planning permits issued	247	261	305	162	107	132	152	76	162	193
Streets resurfaced/rehabilitated	3.40	2.50	3.44	4.37	2.87	2.61	1.48	4.13	7	8.12
Recreation classes and activities offered*	16	18	22	164	195	147	177	131	72	92

**FY2014 decrease in recreation and activities offered resulted from outsourcing of Town's Barn operations*

Source: Town of Los Altos Hills

TOWN OF LOS ALTOS HILLS
DEMOGRAPHICS AND ECONOMIC STATISTICS
LAST TEN YEARS

TOWN OF LOS ALTOS HILLS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Parks and Recreation										
Baseball fields	4	4	4	4	4	4	4	4	4	4
Playground	1	1	1	1	1	1	1	1	1	1
Park	1	1	1	1	1	1	1	1	1	1
Riding Ring	1	1	1	1	1	1	1	1	1	1
Westwind Barn	1	1	1	1	1	1	1	1	1	1
Pathways - miles	62	62	62	67	71	75	80	82	85	85
Open space - acres	55	55	55	55	55	55	55	55	55	55
Drainage and Street Operations										
Street lights	6	6	6	6	6	6	6	6	6	6
Traffic lights	3	3	3	3	3	3	3	3	3	3
Paved roadway - miles	55	55	55	58	55	58	58	58	60	60
Storm drains - miles	20	20	20	20	20	20	20	20	20	20
Sewer Operations										
Sanitary sewers - miles	52	52	52	53	52	53	54	55	56	56

Source: Town of Los Altos Hills